HAI-O ENTERPRISE BERHAD

(22544-D)

Soaring **Sustainability**

ANNUAL REPORT 2018

CONTENTS

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

Social Responsibility
取之社会 用之社会

Excellent Services
至诚服务 以客为尊

Attitude
诚信进取 精益求精

Growing
持续成长 共同分享

Unity
群策群力 和衷共济

Loyalty
忠于职守 敬业乐业

Learning
自强不息 终身学习

CORPORATE INFORMATION

as at 24 August 2018

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

Chia Kuo Wui
Independent Non-Executive Director

Tan Kim Siong
Independent Non-Executive Director

Soon Eng Sing
Independent Non-Executive Director

Tan Beng Ling
Independent Non-Executive Director

Professor Hajjah Ruhanas Binti Harun
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)

Tan Beng Ling
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 + Cheang & Ariff
Tee Tai Tzian & Sim

STOCK EXCHANGE LISTING

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

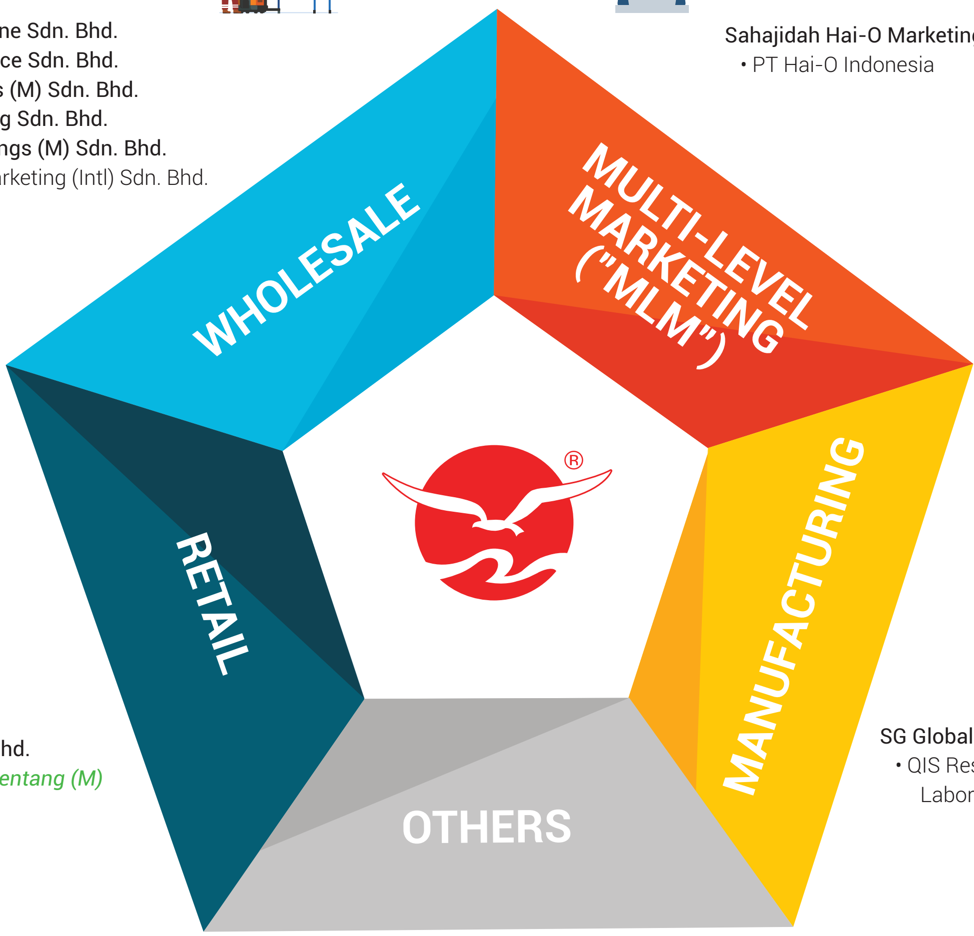
GROUP CORPORATE STRUCTURE

of Main Operating Companies as at 24 August 2018

HAI-O ENTERPRISE BERHAD
(22544-D)

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.

Sahajidah Hai-O Marketing Sdn. Bhd.
- PT Hai-O Indonesia



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

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

Hai-O Credit & Leasing Sdn. Bhd.
- Sri Pangkor Credit & Leasing Sdn. Bhd.

Hai-O Properties Sdn. Bhd.

Subsidiary Company

Joint Venture Company

GROUP FINANCIAL HIGHLIGHTS

	Year ended 30 April				
	2014 (RM'000)	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)
Revenue	253,422	239,851	297,629	404,240	**461,696**
Gross profit	93,519	85,529	101,436	132,528	**161,547**
Gross margin (%)	36.9%	35.7%	34.1%	32.8%	**35.0%**
Profit before tax	53,149	42,673	49,072	78,269	**96,491**
Profit after tax	40,870	30,424	36,565	59,415	**72,521**
Profit attributable to Owners of the Company	40,271	29,760	36,344	59,475	**72,254**
Net margin (%)	16.1%	12.7%	12.3%	14.7%	**15.7%**
Total Assets	308,792	305,861	321,382	364,301	**395,999**
Total Liabilities	43,243	40,030	52,401	68,132	**77,076**
Share capital	101,095	101,095	101,095	149,327	**157,092**
Shareholders' equity	254,069	253,865	257,374	284,815	**307,905**
Financial Indicators					
Return on Shareholders' Equity (%)	15.9%	11.7%	14.1%	20.9%	**23.5%**
Earnings per share (sen)^	13.64	10.15	12.47	20.54	**24.88***
Single Tier Dividend (sen)	14.0	15.0	15.0	16.0	**20.0**
Current ratio (times)	4.8	4.7	3.8	3.5	**3.3**
Net assets per share (sen)^^	86	87	89	98	**106***
Price earnings ratio (times)	18.33	23.16	20.37	18.55	**19.93**
Share Price as at the financial year end (RM)	2.50	2.35	2.54	3.81	**4.96**
Market Capitalisation as at the financial year end	505,476	475,147	513,563	1,137,871	**1,489,309**

Notes:

^ *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.*

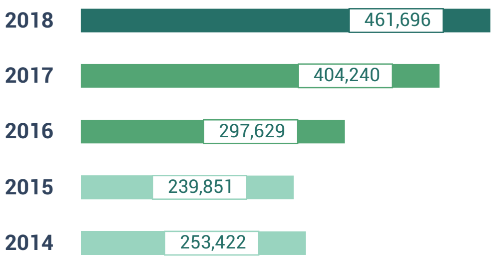
* *Included 1,610,000 shares issued pursuant to Employees' Share Option Scheme ("ESOS") exercised in FY2018.*

64% | **10 years Average Cash Dividend payout**

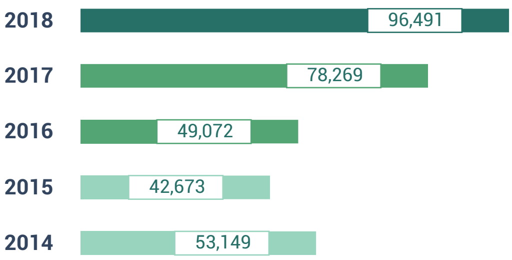
>RM308 million | **10 years Total Cash Dividend payout**

FINANCIAL CHARTS

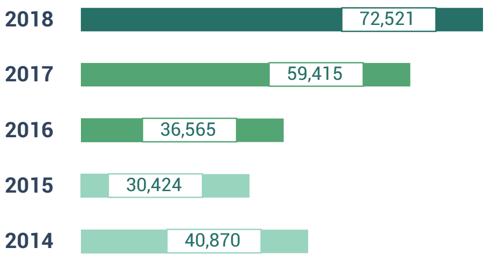
REVENUE (RM'000)



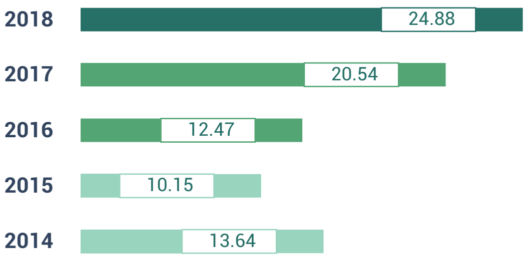
PROFIT BEFORE TAX (RM'000)



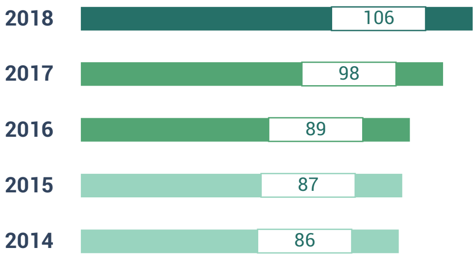
PROFIT AFTER TAX (RM'000)



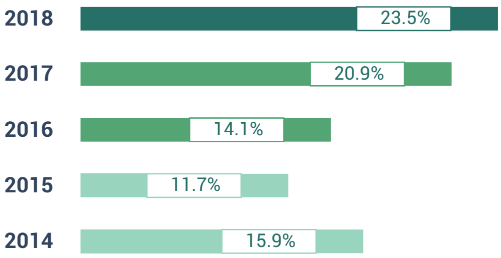
EARNINGS PER SHARE (SEN)

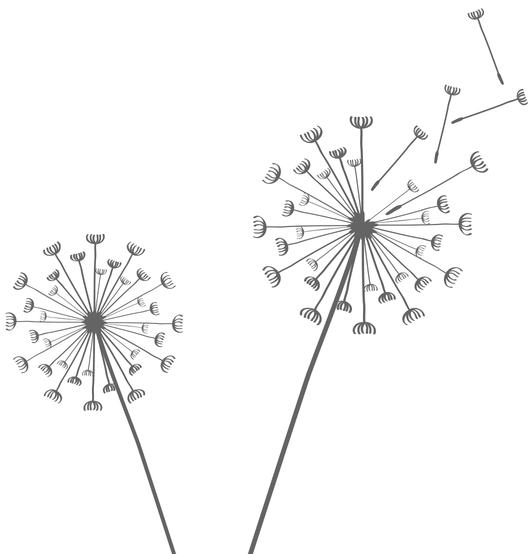


NET ASSETS PER SHARE (SEN)



RETURN ON SHAREHOLDERS' EQUITY (%)





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

CHIA KUO WUI
Independent
Non-Executive Director

TAN KIM SIONG
Independent
Non-Executive Director

SOON ENG SING
Independent
Non-Executive Director

TAN BENG LING
Independent
Non-Executive Director

PROFESSOR HAJJAH RUHANAS BINTI HARUN
Independent
Non-Executive Director

TAN KAI HEE

Malaysian
Age 81, Male
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 to the 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 the 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

Malaysian
Age 42, Male
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 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 the Group level and manages the Group's 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.

HEW VON KIN

Malaysian
Age 57, Male
Group Executive Director cum
Group Chief Financial Officer, Non-Independent

Mr. Hew Von Kin is the Group Chief Financial Officer of 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 and 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

Malaysian
Age 65, Male
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.

Y. BHG. DATIN SUNITA MEI-LIN RAJAKUMAR

Malaysian
Age 50, Female
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, Datin Sunita 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 is also a Director of Zurich General Insurance Malaysia Berhad with effect from 2 July 2018. 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.

CHIA KUO WUI

Malaysian
Age 41, Male
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 public 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. On 16 April 2018, he was redesignated to Independent Non-Executive Director. Mr. Chia is also a member of the Risk Management Committee, Remuneration 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

Malaysian
Age 42, Male
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.

SOON ENG SING

Malaysian
Age 42, Male
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.

TAN BENG LING

Malaysian
Age 55, Female
Independent Non-Executive Director

Ms. Tan Beng Ling graduated with a Bachelor of Business Administration from the National University of Singapore in 1987 and is a CFA (Chartered Financial Analyst) charter holder.

Ms. Tan has more than 30 years' experience in investment research and fund management. She started her career as an economist with DBS Securities in Singapore, before returning to Malaysia as an equity analyst with Barclays deZoete Wedd Securities. She subsequently served with WI Carr, Arab-Malaysian Securities and was one of the founding members and CEO of Surf88.Com, an online research service provider which was an associate of The Star, a leading newspaper in Malaysia.

Ms. Tan joined the fund management industry in 2005 as the Chief Investment Officer of Meridian Asset Management, directly overseeing investments of more than RM1 billion in equities and fixed income.

She is currently the Chief Investment Officer and a partner at Kumpulan Sentiasa Cemerlang Sdn. Bhd., which provides investment management services to institutions and high net worth individuals. She is responsible for equities investments in Malaysia as well as regional markets.

Ms. Tan was appointed to the Board on 16 April 2018 as an Independent Non-Executive Director and is a member of the Audit Committee and Risk Management Committee.

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.

PROFESSOR HAJJAH RUHANAS BINTI HARUN

Malaysian
Age 67, Female
Independent Non-Executive Director

Professor Hajjah Ruhanas graduated with M.A from Sorbonne University, Paris, Post Graduate Diploma in Political Studies from Institut d'Etudes Politiques, Paris, B.A (Hons.) in International Relations and Post Graduate Diploma in Translation from University of Malaya.

She is a Professor at the Department of Strategic Studies, Faculty of Management and Defence Studies (FPPP), National Defence University of Malaya (UPNM). She is a qualified translator and has taught extensively in Malaysia and abroad amongst others she has served as the Department Head of International and Strategic Studies in University of Malaya, a Lecturer and Professor in the Department of International Relations and Security Studies, National University of Malaya (UKM) and Malaysian Armed Forced Defence College, Kuala Lumpur. Professor Hajjah Ruhanas researches, lectures and publishes on her area of expertise which include Malaysia's foreign policy, national security and peace building and regional integration.

Professor Hajjah Ruhanas is currently the Distinguished Fellow at the Malaysian Armed Forces Command and Staff College, Senior Fellow at the Malaysian Institute of Defence and Security (MIDAS) and Senior Fellow at the Regional Centre for Security Studies Kuala Lumpur.

Apart from making a mark as an expert on Malaysia's national security, Professor Hajjah Ruhanas has also distinguished herself as Malaysia's leading expert on Indo-China. Besides teaching and researching, she has translated books and articles from French into Malay (published by Dewan Bahasa dan Pustaka). As a linguist, she speaks fluent Malay-Indonesian, English and French, and intermediate German and basic Vietnamese. She is also actively involved in community volunteer works and NGOs.

Professor Hajjah Ruhanas was appointed to the Board on 2 July 2018 as an Independent Non-Executive Director.

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.

Notes:

1. The details of the Directors' shareholdings in the Company and its subsidiaries are disclosed on page 175 of this Annual Report.
2. The details of the conflict of interest with the Company are disclosed on page 90 of this Annual Report.

PROFILE OF THE KEY SENIOR MANAGEMENT

TAN KEE HOCK

Malaysian
Age 60, Male
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

Malaysian
Age 49, Male
General Manager
Sahajidah Hai-O Marketing Sdn Bhd

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

He joined the 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 was thereafter 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.

PHILIP TEO KHENG LEONG

Malaysian
Age 40, Male
General Manager
Hai-O Raya Bhd

Mr. Philip Teo graduated with a Diploma in Hospitality Management from Stamford College in 1998 and Professional Certificate in Engineering (Computer/ Telecommunication) from Informatics College, Malaysia in 2001.

He joined Hai-O Raya Bhd, the Retail division of Hai-O as the Retail Operation Executive on 16 May 2005 and thereafter was promoted as the Retail Operations Manager and General Manager of Retail division on 1 July 2011 and 1 July 2017 respectively.

Prior to joining Hai-O, he has gained working experience in administrative and operations of retail businesses and fast food chain companies for more than 2 years.

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.

OUR GROUP

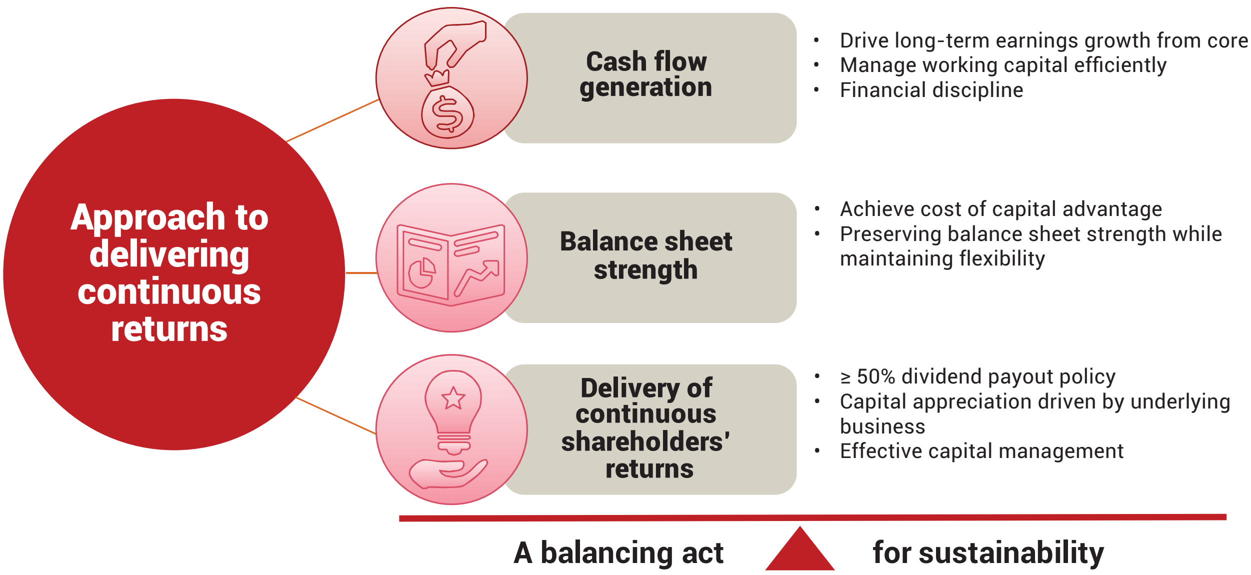
The Hai-O Group has come a long way since our first retail shop opened in 1975 in Klang, Selangor. We were then focused on the businesses of import trading, wholesaling and retailing of Chinese herbal products and medicated tonics. Over time, Hai-O has become an established household name offering a wide range of complementary medicines in the form of traditional Chinese medicines ("TCM"), as well as wellness, beauty and healthcare products. Through a joint venture arrangement with the world-renowned Beijing Tongrentang, Hai-O has also expanded to provide clinical services since 2002 and offering TCM consultation services. In addition, we expanded our business to include TCM contract manufacturing as well as manufacturing of health food and food supplements.

We have business presence nationwide with 56 retail chain stores, 35 Multi-Level-Marketing ("MLM") branches, stockists and sales points, and 2 manufacturing plants across Malaysia. Apart from transforming the "Hai-O" brand into a household brand name through our retail business, we have strengthened our foothold in wholesaling. Today, Hai-O is one of the major suppliers of Chinese herbal products and medicated tonics to a large number of traditional Chinese medical halls and duty-free shops. Throughout the years, we experienced tremendous growth and our foray into the business of MLM in 1992 marked a quantum leap of the Group's business expansion. To-date, MLM, Wholesale and Retail segments are the 3 major strategic businesses of the Group.

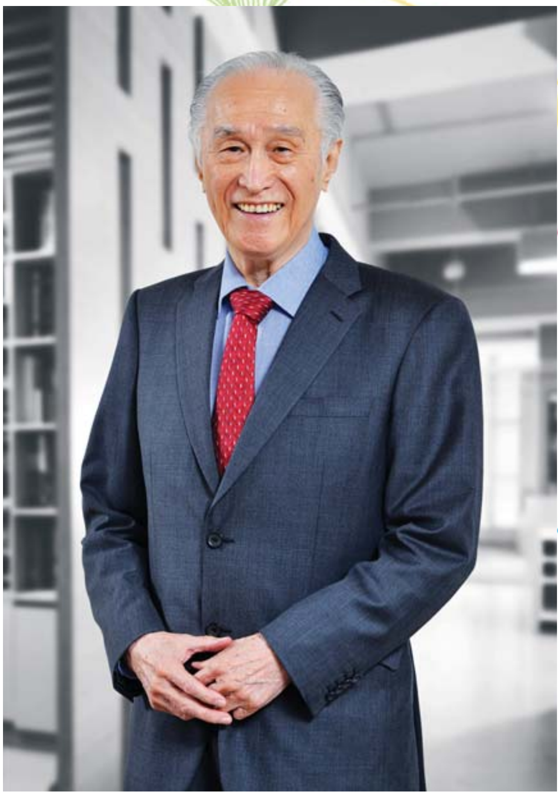
Hai-O was listed on the then Second Board of Kuala Lumpur Stock Exchange ("KLSE" / "Bursa Securities") in December 1996 as the first traditional healthcare company listed on KLSE. Hai-O was subsequently transferred to the Main Board of Bursa Securities in October 2007 reflecting the scale of the Group's achievement throughout the years. From a humble beginning with a small start-up capital, Hai-O has over the years been resilient to ride through many business challenges with an equity base of more than RM300 million to-date. The market capitalisation of Hai-O surpassed the RM1 billion mark for the first time in second half of FY2017 and as at the financial year ended 30 April 2018, the market capitalisation of Hai-O was RM1.5 billion.

Our Objectives

"The primary objective of Hai-O is to provide continuous returns to its shareholders. With this in mind, Hai-O has without interruption, declared cash dividends for each financial year since the Company's listing in 1996. A total of RM332 million cash dividend were paid since listing."



CHAIRMAN'S STATEMENT



OUR STRENGTH LIES IN OUR CONSISTENT PERFORMANCE AND LONG-TERM OPERATIONAL STABILITY

Dear Shareholders,

The Hai-O Group has again delivered a strong financial performance, guided by the Group's strong management team and solid financial position.

Central to this was our promise to deliver continuous returns to shareholders and sustainability of our business. As the Chairman of the Hai-O Group, it is a great privilege for me to present to you, the Group's Annual Report and Financial Statements for the financial year ended ("FY") 30 April 2018.

The Malaysian economy recorded a better performance in 2017, registering a growth of 5.9% (2016: 4.2%). Like the year before, the growth was anchored by domestic demand, reflecting faster expansion in both private and public-sector spending. The Malaysian economy was also boosted by rebound in exports, mainly due to higher demand by major trading partners such as China, ASEAN, the EU, US and Japan, following the upswing in the global technology cycle, investment expansion in the advanced economies and the turnaround in commodity prices.

The Group's businesses benefited from the improvement in private consumption growth of 7.0% in 2017 (2016: 6.0%), supported mainly by continued wage and employment growth, with additional impetus from Government measures. Some of these measures were enacted to support the economy in March 2016 on account of the more challenging outlook. Although the recovery in consumer sentiments from its lowest level in 2015 contributed to the stronger private consumption growth in 2017, the overall improvement in consumer sentiments remained subdued. Adding on to the pressures was headline inflation, as measured by the annual percentage change in the Consumer Price Index, increased to 3.7% in 2017 (2016: 2.1%), which effectively resulted in lower disposable income for consumers.

The Group has not succumbed itself to the challenges in the business environment and has been relentless in our efforts to harness the strength of our people and make use of technology to chart continuous growth. The FY2018 marked a year of continued growth for the Group across all our major business segments.

A snapshot of the Group's overall financial performance for the year is set out below:

FY2018 RESULTS AT A GLANCE

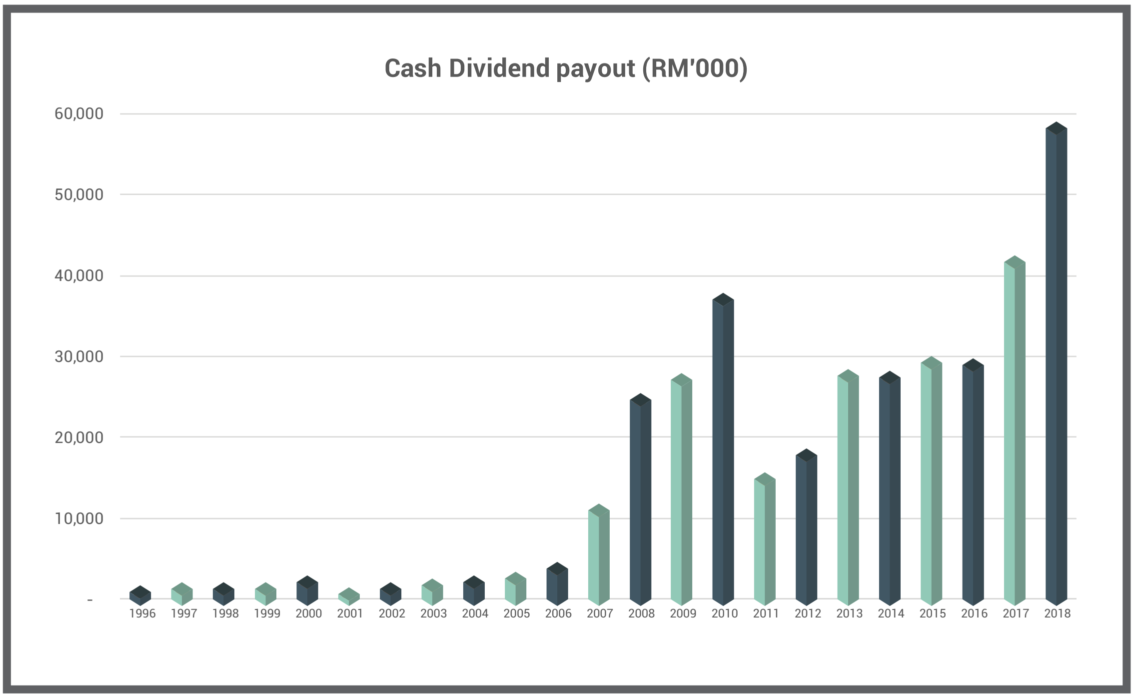
Revenue	Profit After Taxation	Total Assets
RM461.7 million +14.2%	**RM72.5 million** +22.1%	**RM396.0 million** +8.7%
Net Assets	**Dividend Per Share**	**Market Capitalisation**
RM307.9 million *(attributable to equity holders of the parent)* +8.1%	**20 sen** +25.0%	**RM1.5 billion** *(as at 30 April 2018)* +30.9% y-o-y

Financial Performance

We ended the financial year with a revenue of RM461.7 million and profit after taxation ("PAT") of RM72.5 million. On a year-on-year comparison, this represents an increase of 14.2% and 22.1% respectively. These sound financial outcomes are the result of continued execution of our long-term strategy. Growth continues to be driven by organic growth with existing businesses and ongoing realisation of operation efficiencies. There were no significant fundamental shifts in business focus for the FY2018 and the results generally reflected the underlying performance and strength of our businesses in MLM, Wholesale and Retail segments. For the financial year under review, the Group continues to focus strongly on product development and agent expansion in MLM segment, achieving cost discipline and reduce complexity in Wholesale and Retail segments.

The Group is operating in cash generative businesses and maintain a healthy pool of cash. Borrowings were incurred solely for working capital purposes. Liabilities of the Group as at FY2018 amounted to RM77.1 million were primarily in the form of trade and other payables. Cash and cash equivalents and other short-term investments as at FY2018 was RM126.6 million (2017: RM135.0 million). A lower cash and cash equivalents held by the Group as at the end of the financial year was due to higher investment spending incurred for acquisitions of investment properties and refurbishments and upgrading of property, plant and equipment. In addition, inventories holding increased to meet higher sales expectations and higher dividend payout for the current financial year had also reduced the cash held as at FY2018.

As at FY2018, the Group's shareholders' funds remains strong at RM307.9 million that translates into a net asset value per share of RM1.06 (FY2017: RM0.98).



Healthy Return to Shareholders through Continuous Dividend Payment

Our dividend policy supports the objectives to maintain a strong capital base and safeguard the Group's ability to continue as a going concern to maintain our reputation as a trusted employer and business partner.

We are dedicated to reward our loyal shareholders with not less than 50% of the Group's PAT.

In determining the dividend payable for the financial year, we have balanced the importance of providing consistent returns to shareholders with the long-term strategic direction of the Group. Shareholders will benefit from the strong performance of the Group for the FY2018, with a total dividend for the year of 20 sen per share (2017: 16 sen). The Company had on 8 March 2018 and 13 June 2018 made a total payment of RM17.49 million and RM8.73 million in cash for the first and second single tier interim dividend of 6 sen and 3 sen per share respectively. With the final dividend of 11 sen for the FY2018 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, the total dividend for the year of 20 sen represents a dividend payout of 80% of the Group's PAT (2017: 70%), a payout ratio that exceeded the Company's dividend policy to distribute at least 50% of the Group's PAT as dividend.

Sustainability reporting

We have the pleasure in presenting to you our first Sustainability Statement. Sustainability of our business is the key to ensure continuous returns to shareholders. The Board is committed and accountable in overseeing the process of identification, monitoring and management of sustainability matters. We have put in place new policies, guidelines and frameworks to ensure our businesses are operating in accordance to or exceed industry and regulatory standards. The new policies, guidelines and frameworks include areas for compliance with government regulations and commitments to continuously improve the health and safety of the workforce as well as minimising impact of our business operations to the environment. Please turn to page 37 to learn more about our sustainable strategy.

Changes to the Board

In Hai-O, we always strive to uphold corporate governance and provide our best level of transparency to our stakeholders. In line with good corporate governance and with the primary objective to form a robust Board of Directors, on behalf of the Board, I would like to warmly welcome Ms. Tan Beng Ling and Professor Hajjah Ruhanas Binti Harun as Independent Non-Executive Directors to the Board on 16 April 2018 and 2 July 2018 respectively. Ms. Tan brings with her expertise and experience in the fields of financial industry including investment research and fund management, while Professor Hajjah Ruhanas who is currently a Professor at the Department of Strategic Studies at the National Defense University of Malaya, is also a leading expert on Indo-China, specifically on Vietnam.

Fashion & lifestyle products – a promising new market under the MLM segment.

We look forward to work with Ms. Tan and Professor Hajjah Ruhanas and to benefit from their experiences in their areas of expertise. The appointment of Ms. Tan and Professor Hajjah Ruhanas further strengthened the composition of the Board in accordance with the principles and practices of the new Malaysian Code on Corporate Governance where the Board now comprises a majority of Independent Directors which represents 70% of the Board and also 30% women representation.

Outlook and Prospects

Malaysia is projected to remain on a steady growth path to grow by 5.5% – 6.0% (2017: 5.9%). Growth will be underpinned by continued income and employment growth which is expected to sustain household spending, amid the continuation of measures undertaken by the Government and improving consumer sentiments. The anticipated headline inflation, averaging between 2.0% – 3.0% in 2018 (2017: 3.7%) is expected to be driven by smaller cost pass-through to retail prices as compared to the previous year. The inflationary pressure is also expected to further improve with the reduction of Goods and Services Tax rate from 6% to 0% effective 1 June 2018.

Despite the better performance anticipated on the overall economy, consumer demand is expected to remain unstable in the short term. For the financial year ending 30 April 2019, the key focus is to increase product offerings by the MLM segment and continue to attain cost efficiencies across all business segments. We will continue to digitise operating platforms to create optimum efficiencies in business operations.

I am confident that we have the skills and expertise, accompanied by Hai-O's financial strength, the Hai-O Group is expected to at least retain our trusted position and meet shareholders' expectation for the next financial year.

Appreciation and Acknowledgement

None of the positive outcomes described in this Annual Report could have been achieved without all the employees, our MLM distributors who make up the Hai-O Group and on behalf of the Board, I would like to acknowledge and congratulate our people for their commitment, and who have worked hard to deliver these remarkable results. I would also like to thank my fellow Directors for their support and guidance throughout the year.

In addition, on behalf of the Board, we would like to convey our sincere appreciation to all our shareholders, customers, distributors, business partners, government agencies and other stakeholders for their support and the trust in Hai-O Group.

Thank you.

Tan Kai Hee
Group Executive Chairman

8 August 2018

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

The purpose of this MD&A is to provide supplemental information to the audited financial statements within the Hai-O Enterprise Berhad Annual Report for the Financial Year ended ("FY") 30 April 2018, including further information in relation to the financial performance and financial position of Hai-O and its subsidiaries ("Hai-O Group" or "Group").

Through this MD&A, shareholders are informed about the Group's overall business strategy, targets and how we strive to achieve them through operational, marketing and sales initiatives. The information in this MD&A may contain forward looking statements – that is, statements relating to the future, not past, including statements regarding the Group's aspirations, belief or current expectations within the Hai-O Group's business, results of operations and financial condition.

OPERATING STRUCTURE

During FY2018, there were no major changes to the Group's fundamental business and focus. The growth of the Group continues to be driven by the existing businesses that can be segregated into 3 major reportable segments, comprising:

Multi-Level Marketing ("MLM")

Multi-level direct marketing of health food, 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, investment holding and property holding

Nationwide Presence across the Country

Our headquarter is located along Jalan Kapar, Klang, Selangor, which houses the Sales Operations, Warehouse, Accounts & Finance, Information Technology, Administration and Human Resources services. Apart from the headquarter in Klang, we also maintain a corporate office in the heart of Kuala Lumpur City at Jalan Bukit Bintang, which was recently refurbished with façade enhancement.

The Group has a nationwide presence with MLM branches, stockists and sales points, retail chain stores, franchises and manufacturing facilities across Malaysia and Brunei.

During the FY2018, MLM branch network expanded with the opening of a new MLM branch in Penampang, Sabah. The MLM division now has 35 branches, stockist and sales points, out of which 3 are distribution centres ("DC") to cater for distribution of e-commerce orders. Under the Retail segment, we have 56 retail chain stores (including 7 franchises), out of which 3 are located in East Malaysia. Apart from retail shops, we also own 2 international-standard manufacturing facilities with certification from ISO, HACCP, GMP and US FDA. One of the plants has also obtained a HALAL certification from JAKIM. Both the manufacturing plants are located at Jalan Kapar, Klang, Selangor, which primarily carry out TCM contract manufacturing, manufacturing of health food and food supplements for the products required by the MLM and Retail segments.

While most of our products are distributed locally, we also export our products to countries such as Indonesia, Brunei and Singapore which are distributed through a subsidiary company in Indonesia and other overseas sales offices. Revenue and profits generated from the overseas markets were minimal and insignificant to the Group for FY2018.

FY2018 – DELIVERING RETURNS TO OUR SHAREHOLDERS

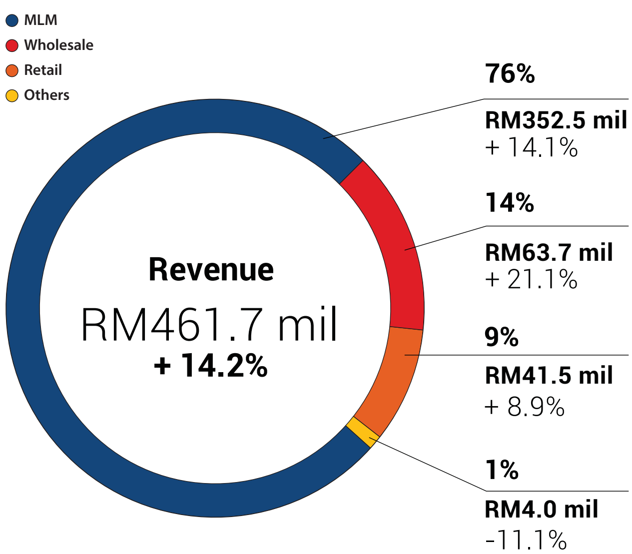
Our aim is to deliver earnings and assets growth with the objective to provide capital returns and consistent dividend payment to shareholders who have believed in us. Our approach to deliver continuous returns to shareholders is firstly backed by the Group's strong financial position which the Management has diligently preserved, but at the same time maintaining the flexibility to achieve cost of capital advantage. The constant growth in the Group's balance sheet was contributed by the Group's capabilities to generate cash flow from its core business supported by cost efficiency and discipline. In addition to the dividends distributions, our shareholders have also enjoyed capital appreciation driven by underlying businesses.

The Malaysian economy rebounded in 2017 supported by the recovery of global financial markets and a 5.9% (2016: 4.2%) growth in the world trade. However, consumer spending was not in tandem with this positive development which eventually resulted in subdued consumer confidence and spending. Despite ongoing business challenges, the Group demonstrated resilience in its financial performance. The Group continues to register growth in the financial results for FY2018, sustained by the Group's competitive strengths and effective strategies built over the years.

Revenue

The Group advanced strongly into FY2018 with a growth in revenue for the first half of FY2018 and slowed down slightly in the second half of the year. The Group closed FY2018 with an increase of 14.2% in revenue of RM461.7 million (FY2017: RM404.2 million). We are pleased to witness the growth in revenue for FY2018 which was contributed by all our major business segments, i.e. MLM, Wholesale and Retail, and this is a positive sign as other business segments started to contribute to revenue; unlike in the previous financial year where the growth in revenue was contributed solely by the MLM segment. However, the MLM segment remained as the main driver of revenue growth for the Group in FY2018. Although other operating business registered a minor drop in revenue primarily due to the cessation of advertising services by a subsidiary company, Sea Gull Advertising Sdn Bhd during the year under review, the reduction has minimal financial impact to the overall Group's results.

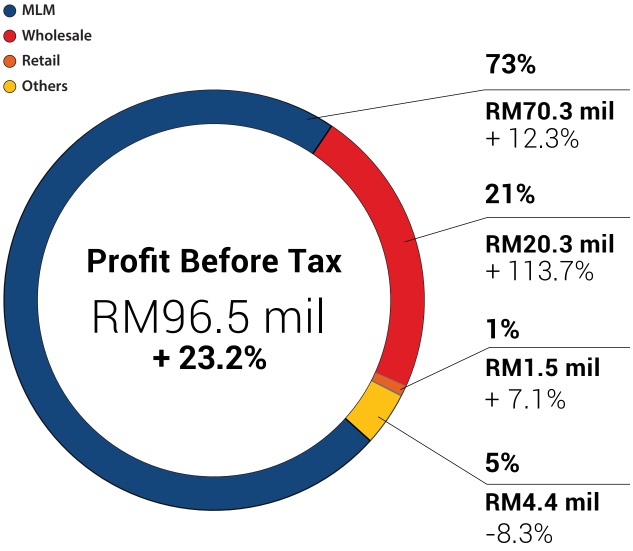
The contributions of revenue by the respective segments are set out below:



Profitability

The Group continues to achieve profitability and registered a profit before taxation ("PBT") of RM96.5 million (FY2017: RM78.3 million) which represented a PBT growth of RM18.2 million or 23.2% as compared to FY2017. For FY2018, all our business segments were profitable with MLM segment being the main driver of the profit followed by Wholesale and Retail segments. MLM segment recorded PBT of RM70.3 million while Wholesale and Retail segments recorded RM20.3 million and RM1.5 million respectively. During the FY2018, the Company has granted a total of 2,189,000 Options pursuant to the employees' share option scheme ("ESOS"), which was fully implemented from May 2017 onwards. In line with the ESOS exercise, the Group recognised ESOS expenses of RM2.6 million and this forms part of the employees' retention plan to reward our people who have persistently delivered and performed. We wish to highlight that the ESOS expenses incurred during the financial year had no impact on the Group's cash flow.

PBT contribution by each segment is set out below:



Review of financial position

The Group's strong balance sheet is reflected from the continuous growth in shareholders' funds. As at 30 April 2017, equity attributable to owners of the Company was RM284.8 million. As at 30 April 2018, it increased to RM307.9 million, which represents an increase of RM23.1 million or 8.1%. The improvement in equity attributable to owners of the Company was primarily contributed by the profit earned by the Group during FY2018 of RM72.5 million. However, an amount of RM58.2 million from this profit was deployed to reward shareholders as dividend. The movements in equity attributable to owners of the Company were also affected by the resale and purchase of treasury shares by the Company and exercise of ESOS options by the employees and directors. The Group had recorded a one-off gain on disposal of treasury shares of RM2.0 million which has been accounted for in distributable retained earnings during the FY2018. A total of 1,610,000 new Hai-O shares was issued and listed during the financial year as a result of the exercise of the ESOS options by employees and directors. The equity attributable to owners of the Company per share (or net assets) of the Group is equivalent to RM1.06 per Hai-O share as at the close of FY2018 (FY2017: RM0.98).

During the financial year, we incurred capital expenditure for the acquisition of investment properties, upgrading of warehouse in Klang, enhancement of façade in the building in which our KL office is located and two (2) shoplots which are now being used as our retail outlets. The Group in total incurred approximately RM20.5 million for the said capital expenditure. The Group's inventory holding was higher at RM91.2 million (FY2017: RM71.7 million) partly to meet the demand for higher sales expectations and partly due to the wider product range offered by the Group during FY2018. As a result, the total assets of the Group increased by RM31.7 million to RM396.0 million as at 30 April 2018.

The Group's total liabilities comprised of trade and other payables and short-term borrowings was RM77.1 million as at the end of the financial year (FY2017: RM68.1 million). The increase in liabilities was due to higher trade and other payables. The short-term borrowings as at 30 April 2018 was RM1.4 million as compared to RM3.0 million a year ago which were banking facilities drawndown for working capital purposes in the form of trade financing.

Capital Resources and Cash Management

The Group maintained cash and cash equivalents and short-term investments of RM126.6 million as at the end of the financial year (FY2017: RM135.0 million). The Group is involved in cash generating businesses and the Group's source of cash inflows are mainly generated from sales recorded by MLM, Wholesale and Retail segments. The Group also received cash inflows from rental income from investment properties and manufacturing activities. Apart from cash used in the operations, the main cash outflow of the Group for FY2018 was payment of dividend to shareholders of RM49.5 million. During FY2018, there was a one-off cash inflow from resale of treasury shares of RM3.3 million, in addition to the proceeds received from new shares issued on the exercise of ESOS options by the directors and employees of RM5.8 million. The slight drop in cash held by the Group as at the end of the financial year was primarily due to capital expenditure incurred for acquisition, refurbishment and upgrading of property, plant and equipment and investment properties which amounted to approximately RM20.5 million.

REVIEW OF SEGMENT OPERATIONS

MLM SEGMENT

FY2018 was a momentous year for the MLM segment as Sahajidah Hai-O Marketing Sdn Bhd ("SHOM"), the subsidiary that anchors the MLM operations turned 25-year-old. 25 to SHOM is a symbol of maturity, excellence and reliability. Year-round events and activities were rolled out during the financial year to celebrate and honour the milestone of a 25-year journey.

Revenue

FY18 RM' mil	FY17 RM' mil	
352.5	308.9	↑ 14.1% year-on-year

PBT

FY18 RM' mil	FY17 RM' mil	
70.3	62.6	↑ 12.3% year-on-year

PBT margin

FY18 %	FY17 %	
19.9	20.3	↓ 0.4% year-on-year

The Bonanza 25 grand sales promotion was held in conjunction with the 25-year anniversary celebration during the 1st half of FY2018 to reward our distributors. The Bonanza 25 "Buy & Win" Lucky Draw Contest which came with attractive prizes including a luxury German sedan car and other prizes worth of RM250,000 contributed to the improvement in revenue of 14.1% or RM43.6 million under the MLM segment. In addition, wider product choices following the introduction of new products and product range have also contributed to the improvement in sales.

The operating PBT for the FY2018 under MLM segment has correspondingly increased by 12.3% which is equivalent to RM7.7 million. The PBT registered by the MLM segment for FY2018 is RM70.3 million.

The PBT margin of the segment decreased slightly by 0.4% due to, firstly, marketing development cost increased by approximately RM4.5 million and secondly, ESOS expenses of RM0.6 million.

The above financial performance was achieved on the back of the key initiatives that were implemented during the FY2018:

1. Deepened products offering in fashion, beauty and lifestyle
2. Focussed and connected team of distributors
3. Iconic branding, advertising and promotional activities
4. Digital and conventional network expansion

DEEPENED PRODUCTS OFFERING IN FASHION, BEAUTY AND LIFESTYLE

Deepened products offering in fashion, beauty and lifestyle

- Full roll-out of Infinence X RR Designer Hijab
- Infinence Designer Shoes
- D'Chef cooking paste and ready to eat meals
- Min Cha teh pracampur dengan garam buluh
- Marine Essence hair-care
- Cozuma cosmetics

Focussed and connected team of distributors

Iconic branding, advertising and promotional activities

Digital and conventional network expansion

In terms of product offerings, we have one of the most exciting years under the MLM segment with more new products being launched during the FY2018. Some of the products launched created inroads to new market penetration and expansion. For instance, the full roll-out of the Infinence X RR Designer Hijab in May 2017 marked the expansion of our MLM products into fashion line. Following the success of the Infinence X RR Designer Hijab, we have also launched the Infinence Designer Shoes and bags. The Infinence Designer Shoes were launched in consultation with Y. Bhg. Prof. Datuk Dr. Jimmy Choo who remains deeply engaged in the expansion of the fashion products under the MLM segment.

infinence®
SIMPLICITY IN LUXURY

We know that Malaysians love food. During the FY2018, we launched 4 SKU (stock keeping units) under the D'chef food range for the first time including Briyani Paste, Beef Rendang Paste, Tumeric with Garlic Paste and Asam Pedas Paste. These products were well received by our members and distributors and hence, 2 other SKU, namely D'Chef Ready to Eat Sambal Nasi Lemak and D'Chef Hainanese Chicken Rice with Chili Sauce were also launched in February 2018 to leverage on the momentum of the D'Chef cooking paste.

Learning from our success in one of our best-selling products, the Min Kaffe mineral coffee, we introduced the "Min Cha Teh Pracampur dengan Garam Buluh" during the financial year under review. To complement with the mineral tea and coffee, the Min Kaffe Cookies with Chocolate Chips was also introduced and launched.

Under the skincare and beauty, and personal care range of products, we launched a total of 6 SKU in FY2018 including the Marine Essence hair-care and the Cozuma Blush Palette. As at the end of the FY2018, we have more than 220 SKU in health food & supplements, skincare and beauty, personal care and households products apart from fashion and lifestyle series which came with multiple designs and colours.

FOCUSSED AND CONNECTED TEAM OF DISTRIBUTORS

Under the MLM segment, we have approximately 153,000 valid and active distributors/members, which represents an increase of approximately 9.0% year-on-year. The continuous growth in distributors was supported by ongoing engagement activities, skills development workshops and training programs organised by SHOM. Some of the major events organised by SHOM to ensure that our people remains engaged, committed and realised their potential are set out below:

- Deepened products offering in fashion, beauty and lifestyle
- **Focussed and connected team of distributors**
  - Sahajidah Hai-O Marketing 25-year old Silver Jubilee Celebration
  - Overseas incentive trips
  - Participation in the Gaya Koleksi Raya 2018
- Iconic branding, advertising and promotional activities
- Digital and conventional network expansion

The Bonanza 25 "Buy & Win" Lucky Draw Contest with attractive prizes to reward our distributors.

SHOM turned 25 and we are honoured to have more than 11,000 distributors from all over Malaysia, Indonesia, Singapore and Brunei to celebrate the occasion together in Malawati Stadium Shah Alam, Malaysia. The celebration was officiated by the Domestic Trade, Cooperative and Consumerism Minister with special guests appearance by, Datuk Dr. Jimmy Choo, our consultant and a renowned local artist Nur Fazura who is also the ambassador of SHOM. The Company took the opportunity to recognise outstanding distributors during the Silver Jubilee celebration. During the FY2018, 87 leaders progressed to Crown Diamond Manager ("CDM"), the highest status recognition in SHOM's entrepreneurial hierarchy.

In addition to the anniversary celebration above, annual Sales Manager ("SM") / Senior Sales Manager ("SSM") Awards Ceremony and Diamond Night were also held during the financial year. 212 distributors who progressed to Double Diamond Manager ("DDM") and 896 distributors who progressed to Diamond Sales Manager ("DSM") were honoured during the SM/SSM Award Ceremony and Diamond Night.

FOCUSSED AND CONNECTED TEAM OF DISTRIBUTORS

During the FY2018, we are pleased to witness the growth in productivity of our distributors as evidenced by a higher number of progressions among our distributors as summarised below:

No. of new leaders promoted during the FY2018

DSM	DDM	CDM
896	212	87

In harnessing our distribution sales force, we adopt an uncompromising standard of integrity and professionalism to preserve trust and confidence of our distributors. Regular interactive workshops, training programs, get together sessions were organised. These events were organised to keep our distributors up-to-date with product information. The events also provided opportunities for distributors to share their valuable views and concerns over the products and the Company.

SHOM's key principles to foster productive, highly-skilled and agile team of distributors to meet the emerging needs in the future are as follows:

Our Distributors

It is our distributors who set us apart from our peers. We strive to elevate talent, quality and industry ethics to ensure that our people remain engaged and realised their full potential.

Creating economic opportunities for local entrepreneurs

Consumer confidence

Distribute with confidence of a wide-range products that meet internationally recognised quality and safety standards

Team and culture

Creating shared value for products excellence and feedback and informal programmes to foster team spirit and motivate each other

On-going development

Continuous training development to cultivate in-depth products knowledge and industry's ethics

Communication and engagement

Frequent engagement through events and conferences to ensure understanding and commitment are aligned

Drive results

Goals driven incentive programmes, progression and recognition to stay close to targets and achievements

FOCUSSED AND CONNECTED TEAM OF DISTRIBUTORS

It is not new that the MLM segment has established short and long-term incentive plans that are aligned to drive sales growth. During the FY2018, 2 incentive trips were held to reward to distributors who have worked towards the sales targets. A total of 554 distributors qualified for the incentive trip to Gold Coast, Australia while a total of 785 distributors qualified for the incentive trip to Korea. The incentive trip to Korea had in total 1,147 participants which represented the largest incentive trip organised by SHOM. Taking into account the large number of Muslim travellers visiting Korea during the incentive trip, distinctive activities, gifts and gala dinner were co-sponsored by the Korea Tourism Organisation ("KTO"). The incentive trip also attracted media coverage from Korea.

The Incentive trip to Gold Coast, Australia.

SHOM participated in the Gaya Koleksi Raya 2018 to introduce and promote the "Infinence" brand.

Trailing on the successful launch of our fashion products, SHOM also participated in the Gaya Koleksi Raya 2018 to introduce and promote our fashion brand "Infinence". The Gaya Koleksi Raya 2018 is a 4-day celebration that showcased Malaysian fashion designers and brands in conjunction with the Hari Raya Aidilfitri season and to bring together Malaysian fashion designers and to feature their best collections for the festive season which was aligned with our objective to promote local talents.

ICONIC BRANDING, ADVERTISING AND PROMOTIONAL ACTIVITIES

As we conceptualised the expansion into fashion products under the MLM segment, one of the objectives we had in mind was to nurture local talents in the fashion industry. "Infinence", an inspiration from the words "Infinite" and "Excellence", is the brand for our fashion range of products which include designer clothing, matching scarves and brooches, leather shoes and leather handbags. The scarves and brooches are the creation of renowned local designers Rizman Ruzaini while the leather shoes and handbags are developed in consultation with the international fashion icon Datuk Dr. Jimmy Choo.

Deepened products offering in fashion, beauty and lifestyle

Focussed and connected team of distributors

Iconic branding, advertising and promotional activities

Digital and conventional network expansion

We are committed to nurture local talents and work with local artists and designers to develop and create new fashion products:

- SHOM ambassador, Nur Fazura
- Collaboration with renowned fashion designers Datuk Dr. Jimmy Choo and Rizman Ruzaini

Nur Fazura, a renowned local artist was appointed as the SHOM ambassador to promote the Infinence range of products and to ensure that it gets the right coverage. Many promotional activities were organised to feature Nur Fazura as our ambassador, including special appearance at the SHOM Jubilee Anniversary celebration, SM/SSM Recognition Ceremony and Min Cha mobile interactive video.

We expect to yield more revenue in the fashion products as the full range of the fashion products are still in the development stage with the first series of Infinence Shoes to be made available in the market only from April 2018.

Nur Fazura, a renowned local artist, is appointed as SHOM ambassador.

"Infinence" shoes and bags are developed in consultation with Datuk Dr. Jimmy Choo.

DIGITAL AND CONVENTIONAL NETWORK EXPANSION

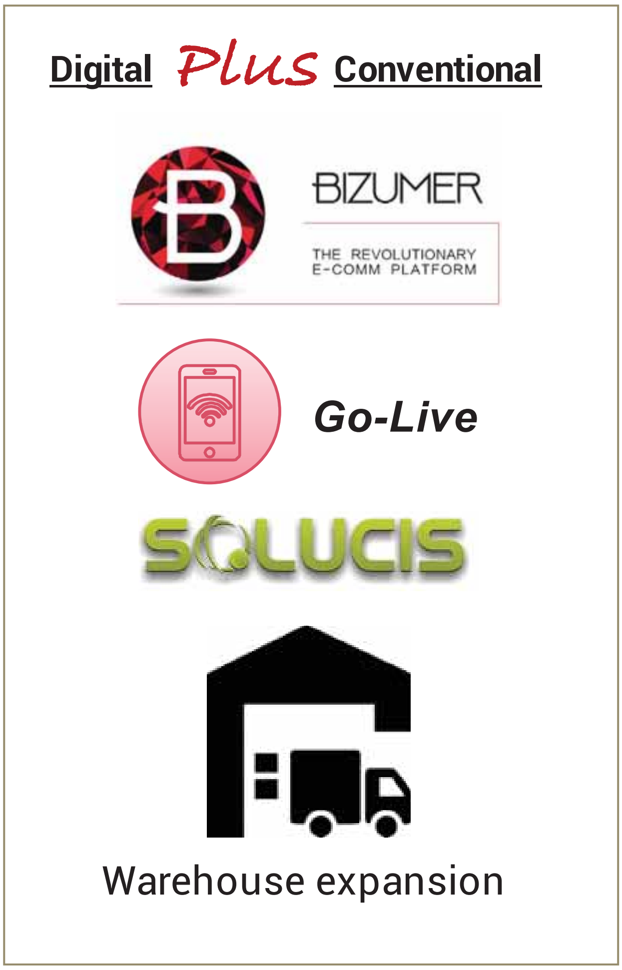
Digitising operating platforms has been discussed in our past annual reports. We acknowledged the importance of digitalisation and we need to serve our increasingly "connected" distributors/members with customers to create performance driven, personalised and convenient shopping experiences. The Group continues to make strategic investments in digital assets in MLM segment to improve productivity and customer experience. To cater for the growth of the MLM segment, we have invested approximately RM3 million to refurbish and upgrade our warehouse in Klang, Selangor to achieve greater efficiencies in logistics to support our distributors.

Deepened products offering in fashion, beauty and lifestyle

Focussed and connected team of distributors

Iconic branding, advertising and promotional activities

Digital and conventional network expansion



We started digitalising the MLM processes way back in 2016 using the Solucis System which is a back-end application to primarily combine digital support and performance tracking for the distributors. We constantly upgrade the Solucis System to cater for a wider scope of back-end services. During the financial year, the Solucis System was further upgraded to support real time tracking of distributor's performance, downline's sales performance, status of distributor's hierarchy progression and incentive trip points. In addition, the usage of Solucis System also expanded to support membership registration and printing of e-voucher to reduce complexities on membership registration process.

During the FY2018, further initiatives were taken in digitising the operating platforms to create new ways for our distributors to interact with their customers to achieve greater efficiencies. The Bizumer e-Commerce platform was launched in March 2018 which allows customisation of individualised e-shop by each distributor to further foster entrepreneurial spirit and ownership of their respective "business networks". The Bizumer encourages online business among our distributors with just a few simple steps. At the moment, some of the enablers that Bizumer provides are:

- expansion of market with minimum cost;
- convenience of interacting with SHOM for products purchases;
- provide more business opportunities to newly sponsored business partners / down-lines; and
- e-Registration for new distributors as downline.

DIGITAL AND CONVENTIONAL NETWORK EXPANSION

Concurrent with the launch of Bizumer in FY2018, SHOM introduced the "Go Live" mobile marketing platform to cater for our distributors who are always on the go. The "Go Live" mobile platform currently serves as a social media tool to achieve the following objectives:

- deliver up-to-date information about SHOM;
- allow distributors access of latest promotional activities and news; and
- dissemination of products information.

Our investments in digitising the MLM processes yielded encouraging results for transactions made via e-Commerce platforms. The number of sales transacted through e-Commerce platforms increased by 156.8% from 44,700 transactions to 114,800 transactions. Similarly, sales recorded through e-Commerce also increased by 56.5% from RM14.7 million to RM23.0 million. Sales transacted through e-Commerce platforms represented approximately 6.5% of the total sales generated by the MLM segment. With continuous enhancement of the e-Commerce platforms, we expect to gain greater market penetration and better interaction with our distributors.

In respect of physical MLM branches expansion, we have opened 1 branch in Penampang, Sabah in October 2017 to cater for the growing business in East Malaysia. With this addition, the MLM segment now has in total 35 MLM branches, stockist and sales points.

WHOLESALE SEGMENT

FY2018 was an exceptional year for the Wholesale segment with an increase in revenue and PBT of 21.1% and 113.7% respectively. The Wholesale segment closed the financial year with a revenue contribution of RM63.7 million and PBT of RM20.3 million to the Group.

The revenue and PBT of the Wholesale segment was sustained by the inter-segment sales to MLM and Retail segments. The improvement in the financial performance of the Wholesale segment during FY2018 was primarily attributable to the increase in sales of products with higher margins, particularly the premium Chinese medicated tonics, patented medicine and vintage Pu-Er tea.

Revenue *

FY18 RM' mil	FY17 RM' mil	
63.7	52.6	**21.1%** year-on-year

PBT

FY18 RM' mil	FY17 RM' mil	
20.3	9.5	**113.7%** year-on-year

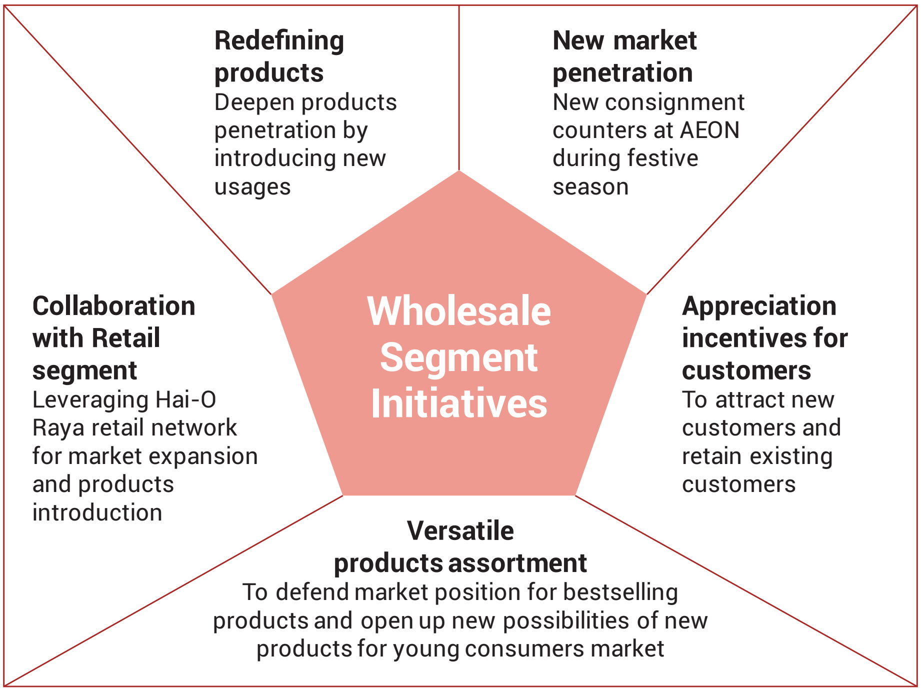
PBT margin #

FY18 %	FY17 %	
10.7	6.4	**4.3%** year-on-year

* *After elimination of inter-segment revenue*

\# *Based on gross revenue (include inter-segment revenue)*

The encouraging results of the Wholesale segment was achieved with the implementation of the following business initiatives:



A 44-pages recipe book introducing the usage of Chinese medicated tonics in cooking.

Making available a variety of products for distribution by both the MLM and Retail segments is pivotal for the success of the Wholesale segment. We continue to focus on promoting our bestselling Chinese medicated tonics while expanding the market for non-alcoholic products to further penetrate the younger consumers market. During the FY2018, we imported and introduced 2 new product brands from China and Korea, "Hao Xiang Ni" jujube products and Korean Red Ginseng products for the younger consumer market. The champignon mushroom granules and Tianqi Ginseng granules were the two other key products promoted during the financial year. These products share 1 common characteristic, convenience, which cater for the "on-the-go" lifestyle of young consumers. In terms of medicated tonics, we added a lower range of "bai jiu" to cast a wider net to capture more consumers of medicated tonics.

Recognising that there are more synergies that can be created between the Wholesale and Retail segments, more marketing initiatives were undertaken with the support of the Retail segment for inter-segment mutual benefits. For new products launching, we tapped onto the retail branch networks to set up promotional pop-up counters to gain visibility and consumers' attention. Currently, the Wholesale segment has pop-up counters at 10 of the Hai-O Raya retail outlets for sampling of various types of granules introduced during the year.

Based on the market feedback, Chinese medicated tonics are deemed as an "acquired taste" product despite its proven health benefits. Many consumers were not accustomed to the strong medicated tonics taste, particularly the female consumers. To overcome this resistance, we collaborated with one of the popular cooking magazines and published a 44-pages recipe book using Hai-O products, focusing on tonics to change consumers' perception. The recipe book also introduced usage of Chinese medicated tonics in cooking. Many of these recipes were also featured on social media networks and homepages of the Hai-O Group in a regular basis.

The Wholesale segment achieved an improvement in sales performance of Chinese New Year hampers at the back of the successful partnership with AEON. Some of the products sold were made available at AEON counters to create exclusivity and had received good response from customers. At the same time there were also various promotions offered for Chinese New Year hot selling products such as premium grade mushrooms, Spanish wines and ready-to-eat bird nests.

We continue to expand one of our traditional consumer networks which is the Chinese medicine hall located in the neighbourhoods. Based on past track records, our consumers from Chinese medicine halls have been very responsive to various sales incentives provided by the Wholesale segment, including incentive trips to manufacturers of products distributed by the Wholesale segment. 2 incentive trips cum industry visits were held to reward our customers during the financial year, i.e. Zhaoqing West River and Hangzhou Shaoxing Winery Industry Visits. The positive outcome from the sales incentives initiated by the Wholesale segment was an increase of 84 new customers and higher sales achieved during the financial year.

Introducing new products to cater for the on-the go lifestyle of young consumers.

RETAIL SEGMENT

Revenue

FY18 RM' mil	FY17 RM' mil	
41.5	38.1	↑ **8.9%** year-on-year

PBT

FY18 RM' mil	FY17 RM' mil	
1.5	1.4	↑ **7.1%** year-on-year

PBT margin

FY18 %	FY17 %	
3.6	3.6	↔ year-on-year

Similarly, the Retail segment has also shown resilience with better results achieved during the financial year. The Retail segment recorded an improvement in revenue of RM3.4 million and an increase in PBT marginally at RM0.1 million, after recognising ESOS expense of RM462,000. The intense competition in the retail business, resulted in high operating cost and low profit margin. Efforts have been made to re-organise workforce, complemented by conventional and digital marketing events to defend segmental sales and profitability despite operating in a high cost environment.

The higher sales recorded by the Retail segment were mainly driven by retail outlets incentive programme and selective product campaigns such as Cordyceps Capsules Sales Campaign, Ming Zhu Bai Feng Wan Sales Campaign and Promotion Collaboration with tea supplier, Chop Aik Seng introduced during FY2018. The incentives programs were well received by our retail outlets employees and the sales campaign for specific products, i.e. Cordyceps Capsules, Ming Zhu Bai Feng Wan and Pu-Er tea as evidenced by an increase in total sales of these products by more than 40% as compared to previous financial year.

Although the Retail segment managed to record higher sales, operating cost for employees' salaries and rental for retail outlets continue to escalate. To counter the effect of escalation of cost in terms of rental, the Retail segment acquired 2 properties which are located at strategic locations, 1 located at Taman Pertama, Kuala Lumpur and the other located in Melaka.

Training for the front liners in retail outlets is a mandatory requirement taking into account that customer service is paramount for our business in Retail segment. We believe by elevating retail staff quality, it would translate into positive outcomes. Training for our retail team undertaken during the year includes Retail Management (fundamental, course 1 and course 2), Chinese Herbal Medicine Course, on the job products knowledge training and 4D-MRA Health Test Machine Testing.

Sales Campaigns for the "Star Products" - Cordyceps Capsules and Ming Zhu Bai Feng Wan.

The provision of TCM consultation service in one of the retail outlets.

Initiatives targeted to improve the buying experience of the Hai-O Friendship members that were implemented in FY2018 include Hai-O Friendship Day, 1st Day of the month Promotion and Birthday Coupon for Hai-O Friendship members. As at 30 April 2018, there were 128,500 of Hai-O Friendship members, representing an increase of 22.7% year-on-year. The promotional activities initiated during the year were undertaken with efficient use of social media such as WeChat and Facebook, which were effective and cost efficient. In addition, healthcare and wellness information and promotional activities were uploaded and disseminated via social media interfaces.

Other promotional activities undertaken were health related topic roadshows in collaboration with Linton College and sales promotion campaign offered to Public Bank Credit Card holders. Apart from that, the retail outlets launched 2 new food and health supplements products, i.e. Cordyceps Flower Soup Pack and Royal Bee Plus and also upgraded the packaging of 5 of our popular house-branded products, i.e. Hai-O Ginseng Tea, Herby Range of Vinegar, 2 types of oat meal drinks and the ZAN green tea to refresh the products' image.

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. The consultation services by the Chinese physicians at our retail outlets include general health checks, providing advice on Chinese herbs features, functions and recommended usages. There are 14 retail outlets (FY2017:12) that provide consultation service and we expect to increase the Chinese physician's consultation service to more retail outlets in the future, to provide value added services as well as to educate consumers on the benefits of Chinese herbs.

OTHER OPERATING ACTIVITIES

There are a few other operating activities carried out by the Group, including manufacturing activities, property investment, credit & leasing and advertising services. Main income drivers under other operating activities are manufacturing and properties investment. During the financial year under review, the Group's manufacturing capabilities were mainly to support the health food and supplements product requirements by the MLM and Retail segments. There was marginal increase to the income generated from investment properties and the Group received a total rental income of RM2.6 million for the FY2018 (FY2017: RM2.5.million). Arising from the cessation of advertising services by a subsidiary company in FY2018, which was previously part of the "other operating activities", the Group recorded a lower revenue of RM4.0 million (FY2017: RM4.5 million) and operating profit of RM4.4 million (FY2017: RM4.8 million) via other operating activities.

OUTLOOK AND PROSPECTS

Our business continues to experience intense competition and changes driven by market developments, technological innovation and the evolution of customers' needs and expectations. We expect to continuously grow our core businesses by differentiating the products, promote greater efficiencies and cost discipline. This is coupled with our commitment to increase productivity across our business. Productivity improvements have positive impacts to customers and our business. Focus will also be placed on the use of technology to provide best value products and services to our customers and distributors. For example, the MLM digital platforms have reduced complexity and costs while giving distributors a better interacting experience. Other productivity improvements which are in the pipeline, among others, is the expansion of payment methods such as e-wallets through Alipay and Touch 'N Go for the retail outlets. Both MLM and Retail segments will continue to promote and expand their e-Commerce activities.

We expect to see some exciting products line-up for our MLM and Wholesale segments. There will be new launches for fashion products such as Infinence Hijab, "Ready-To-Wear" clothing and Infinence bags and shoes under the MLM segment. We have already kick-started new products launches for the next financial year, where 2 new health supplements, the M-Ginkgo and BB+ Glo Mixed Collagen with Blackcurrant Drink were launched in July 2018. Skincare extension series under the Infinence brand are also slated for official launching in August 2018. In addition, there are also other health supplements in the pipe-line for launching during the year. Under the Wholesale segment, canned food will be one of our target product expansion. In addition to the distributorship for luncheon meat and canned sliced meat that are already in our existing sales list, we expect to secure more distributorships to drive growth in the Wholesale segment.

For the immediate term, capital expenditure has been allocated for 2 new MLM branches in Sabah to cater for the growing business of the MLM segment in East Malaysia. The 2 new branches will be located in Sandakan and Tawau and are expected to commence operations in the 2nd quarter of FY2019.

The Malaysian economy is projected to expand by 5.5% - 6.0% in 2018 supported by an accommodating domestic development, where the economy is expected to be driven by domestic demand and private sector activity. The private sector is expected to continuously provide impetus for domestic demand. The expectation of economy growth is also sustained by strengthening global economic conditions. Headline inflation is expected to average between 2.0% – 3.0% in 2018 and may be potentially lower due to the changes made for Goods and Services Tax. Although FY2019 looks promising supported by positive domestic macro-economic statistics, the overall economic performance business sentiments, nevertheless, may be affected by external factors such changes in policy rates in developed countries and the US-China trade tension. A slowdown in private consumption is the main downside risk to the growth affected by exposure to the downward pressures of ringgit exchange rate from external factors and the bloated household debts. We are cautious in implementing business initiatives for the next financial year taking into account the downside external risks which continue to affect businesses and consumer sentiments. However, your Board and the Management are committed to evolve the Group's business to ensure it is future-fit and can continue to deliver good results for all stakeholders.

APPRECIATION

The sound financial outcomes for FY2018 are the result of continued execution of our long-term strategy and team work of the Management.

I would like to express my thanks and appreciation to the following persons:

- To our customers, thank you for allowing us to serve your needs, we will continue our quest to do better every day.
- To the Hai-O team including our distributors, needless to say, thank you for all your extremely hard work in delivering excellence every year.
- To all our shareholders, thank you for your staunch support and trust in us, we will do our best to meet your expectations.

Tan Keng Kang
Group Managing Director

8 August 2018


Min Cha™
MILK TEA
Teh Pracampur dengan garam buluh
Drink like a celebri-tea ™
Fazura
Ambassador of Sahajidah
Hai-O Marketing

SUSTAINABILITY STATEMENT

CHAIRMAN'S MESSAGE

Dear Stakeholders,

As a responsible and ethical organisation, we strive to strengthen the local economy, build corporate transparency, promote products that improve community well-being, invest in human capital development and mitigate any negative impact our operations may have on the surrounding environment. In order to realise our corporate vision to bring the greatest value and pride to our customers, business parties, employees and shareholders, we have embarked on this journey to embed sustainability throughout our value chain.

Building leadership and governance to provide a strong and clear direction for the Company towards sustainability is essential. In FY2018, we adopted a governance structure to create accountability for matters pertaining to sustainability across Hai-O's main business segments, key departments and management. This new, more distinct leadership will help us to successfully implement new policies, guidelines and frameworks for sustainability.

Our continuous efforts to build resilience amongst vulnerable communities, encourage education and create economic opportunities for local entrepreneurs reflect our commitment to improve the well-being of society at large. Since 2010, we have been organising the Ai Hua Jiao fund raising campaign in collaboration with Sin Chew Daily. It is a charity concert that features emerging artists of varying ages and the funds raised are channelled towards selected schools to develop their facilities and infrastructure. The 21st Century Smart Classrooms, launched in 2017 is yet another programme we organised to foster quality education.

We recognise the invaluable contribution of our employees and distributors towards business growth which has cultivated a steadfast spirit within the Company to flexibly identify and consistently overcome business environment changes. Hai-O's diverse and inclusive workplace stimulates and benefits everyone while at the same time makes us better prepared for tomorrow's challenges and opportunities.

Through our business operations, we have created job opportunities and a platform for entrepreneurial excellence, particularly the Multi-Level Marketing ("MLM"). As of 30 April 2018, our MLM membership grew to 153,000 in strength. We are pleased to see our team growing and to have a positive impact on their social and economic well-being.

Environmental sustainability is a key component of our strategy. By reducing the use of polystyrene, replacing incandescent lighting with LED, practicing 3R (reduce, reuse and recycle) and promoting environment-friendly products, we are committed to protect the environment while running our day-to-day operations. In the years to come, we intend to scale up these initiatives and regularly monitor our environmental impact and performance.

We believe in the short, medium and long-term benefits of corporate sustainability, both for the business and our stakeholders. As we embark on this journey to strengthen our commitment to sustainability, we aim to identify opportunities for sustainable growth and actively engage our stakeholders. Our confidence lies in the fact that despite whatever efforts made, it must be done in good faith, creating shared value for business and society while building continuous engagement with the community.

Tan Kai Hee
Group Executive Chairman

We are pleased to present our inaugural sustainability statement. It captures Hai-O Enterprise Berhad's ("Hai-O" or "Company") efforts to actively engage our stakeholders, to identify aspects of our business that impact sustainable growth and to embed sustainability throughout our value chain. This statement is in line with the amendments to the Main Market Listing Requirements on sustainability reporting issued by Bursa Malaysia Securities Berhad in October 2015. Furthermore, the economic, environmental and social disclosures mentioned in this statement are based on the Global Reporting Initiative ("GRI") G4 guidelines.

SCOPE AND BOUNDARY

The scope of this statement extends to the main operations of Hai-O:

- MLM
- Wholesale
- Retail
- Manufacturing

REPORTING PERIOD

The reporting timeline is from 1 May 2017 to 30 April 2018 (FY2018) unless otherwise specified.

OUR COMMITMENT TO SUSTAINABILITY

By embracing business opportunities and managing risks, cherishing our people and executing our social and environmental responsibilities to deliver sustainable stakeholder value, we strive to build a strong and resilient business

We recognise that aligning our long-term interests with those of our stakeholders is the path to corporate sustainability. Our commitment to sustainability is built across 5 key areas - economy, governance, product, people and planet.

ECONOMY

To contribute to the sustainable growth of the local economy and to create business opportunities for entrepreneurs.

GOVERNANCE

To foster corporate transparency and lay the foundation for strong and sound leadership.

PRODUCT

To provide safe and high-quality products that cater to improving the well-being of our customers.

PEOPLE

To create a corporate culture that champions safety, good conduct, skill development and community engagement.

PLANET

To strengthen our efforts towards protecting the environment when carrying out our business operations.

In 2015, the United Nations developed the Sustainability Development Goals ("SDG") under the aegis of *"Transforming our World: the 2030 Agenda for Sustainable Development"*. These SDGs were ratified by 193 member states, including Malaysia and became the blueprint by which governments and businesses chart out their targets for sustainable growth.

OUR COMMITMENT TO SUSTAINABILITY (CONT'D)

Out of the 17 SDGs, we have selected 6 that reflect our ongoing initiatives and practices to embed sustainability throughout our value chain. These include *SDG1: No Poverty, SDG 3: Good Health and Well-Being, SDG 4: Quality Education, SDG 8: Decent Work and Economic Growth, SDG 12: Responsible Consumption and Production* and *SDG 16: Peace and Justice Strong Institutions*.

LEADERSHIP FOR SUSTAINABILITY

Creating accountability and sound leadership to steer the company towards greater sustainability

The short, medium and long-term impact of a business on the economy, the environment and society at large is a key consideration in recognising its performance in terms of sustainability. Essentially, the focus goes beyond financial performance and corporate social responsibility. In order to effectively manage and realise our commitment to integrate sustainability throughout our value chain, we have developed a governance structure as shown below. The Sustainability Steering Committee ("SSC") is led by the Group Managing Director and the Group Executive Director. While the SSC comprises of the General Managers of our main business segments (i.e Wholesale, MLM and Retail), the Sustainability Working Committee ("SWC") is made up of key personnel from business support units and general management.

At the apex of the governance structure is the Board of Directors ("the Board") and its key role is to endorse the Company's sustainability strategy and commitment statement, as well as to issue final approval of the sustainability report and its contents.

The roles and responsibilities of the SSC and SWC are as follows:

SSC

- Proposes the sustainability strategy to the Board
- Reviews the material sustainability matters identified and prioritised by the SWC
- Engage the departments involved in the SWC and oversees the progress of the sustainability initiatives and projects that are in place across the different departments

SWC

- Undertakes sustainability initiatives aligned with the Company's strategy for sustainability
- Records and manages data that reflects the Company's year-on-year performance against economic, environmental and social sustainability parameters
- Identifies and prioritises the material sustainability matters that are relevant to the Company and the stakeholders

Building strong lines of communication with our stakeholders across key aspects of our business

Across all our business operations, we strive to maintain a constant line of communication with our stakeholders, both at a formal and informal level. It is through this practice of open communication that the Company is able to build a trustworthy relationship with and amongst its stakeholders.

Our key stakeholder groups include employees, customers, distributors, vendors and suppliers, certification and regulatory bodies, local communities, shareholders and investors and media. The tables below highlight the main areas of interest of the stakeholder groups as well as the approaches and methods by which we engage them.

Stakeholder Groups	Focus Areas	Engagement Approaches	Outcomes
Employees	• Career development and advancement • Work-life balance • Employee health and safety • Employee benefits	• Performance appraisal • Regular health screening and check-up • Team building activities • Training and internship programmes	• Anniversary dinner and festive gathering • Hai-O Higher Educational Aid and Academic Excellent Awards • Loyalty and Outstanding Performance Awards • Incentive trips (local and overseas) • Kelab Muhibbah Hai-O • Hai-O Human Resource Online
Customers	• Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion	• Feedback and enquiry forms • Social media platforms • Customer Relations Management • Product standards and certifications • Corporate website	• Customer satisfication survey • Hai-O Chain Store Friendship Member • Credit application and evaluation • Product liability insurance
Distributors	• Enhancement of distribution platform • Market demand for Hai-O products • Product quality and pricing • Product development and innovation • MLM entrepreneurship	• Marketing plan • Product promotions • Incentive trip campaigns • Training and workshops • Events and conferences • Feedback and surveys	• E-newsletter, e-sales kit and e-registration • Annual survey form • Diamond Night • Overseas incentive trip • Crown Diamond Manager Conference • SM/SSM Recognition Night

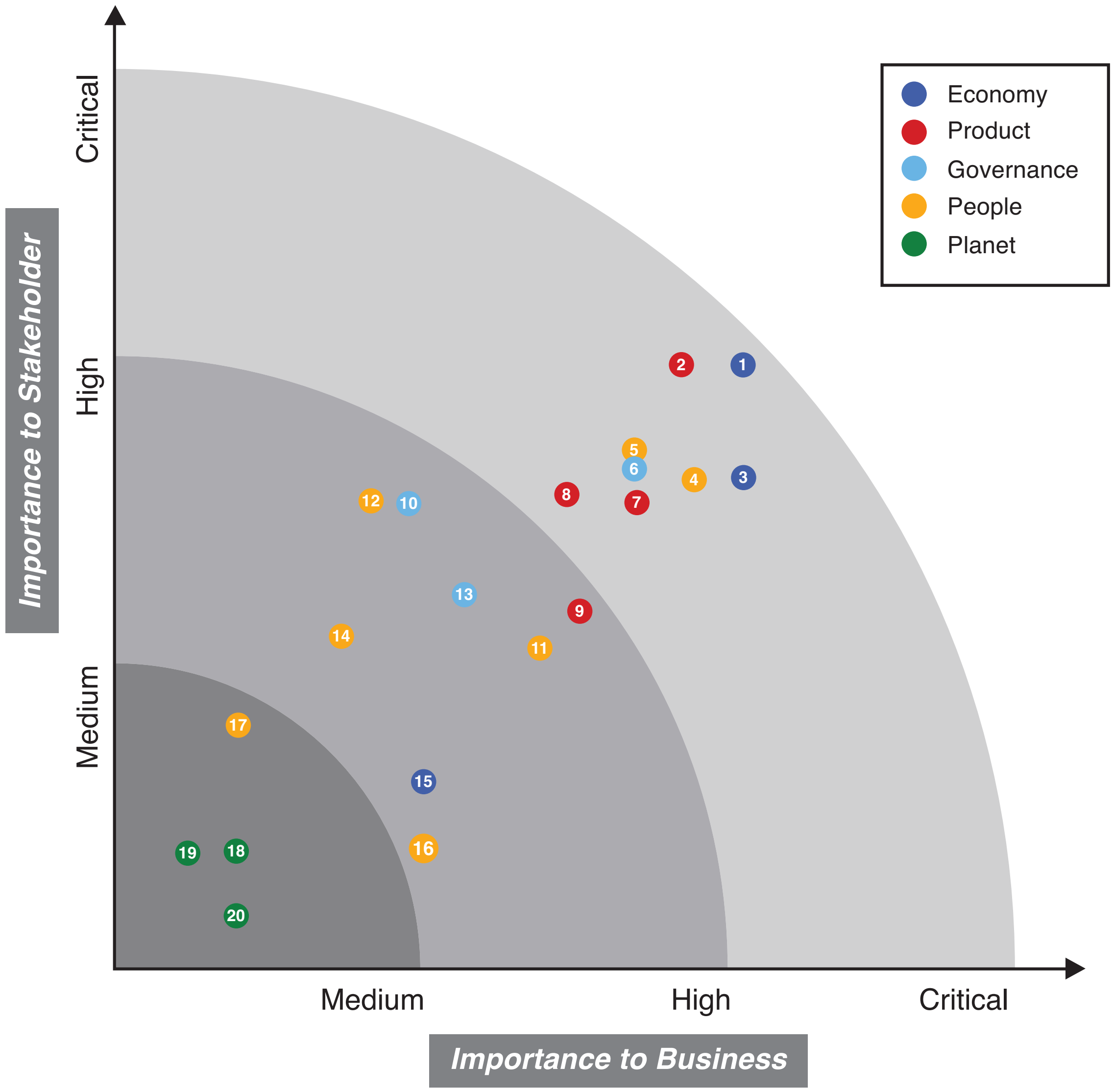
STAKEHOLDER ENGAGEMENT (CONT'D)

Stakeholder Groups	Focus Areas	Engagement Approaches	Outcomes
Vendors and Suppliers	• Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion	• Audits and evaluation • Meetings and trade fairs • Factory visits	• Vendor meetings to gauge satisfaction • Vendor registration screening
Certification and Regulatory Bodies	• Regulatory compliance • Approval and permits • Standards and certifications	• Meetings and consultations • Training programmes and dialogues • Audits and verification	• Factory visits and monitoring • External Consultant • ISO, HACCP, SAMM, GMP, HALAL and US FDA certification
Local Communities	• Quality of health and education • Indirect economic impact • Environmental impact of operations • Community well-being	• Community engagement and outreach programmes • Donations and sponsorships • Social and cultural activities	• Hai-O Foundation • Kelab Muhibbah Hai-O • Ai Hua Jiao Fund Raising Programme • 21st Century Smart Classrooms Programme • Health talks • Joy 4 Klang - Run or Ride • Blood donation campaign
Shareholders and Investors	• Financial performance • Regulatory compliance • Corporate governance • Ethical business conduct • Investment and divestment • Internal control and risk management • Board composition	• Meetings and briefings • Financial announcements and reporting • Policies and frameworks • Corporate website	• Annual General Meeting • Annual report • Analyst reports • Statutory records • Investor Relations Policy, Whistleblowing Policy, Corporate Disclosure Policy, Dividend Policy
Media	• Reputation and image • Financial performance • Business updates and corporate news • Public relations	• Social media platform • Conference and interviews • Events and functions	• Press releases • Media Night • Joint collaboration CSR and cultural events

PRIORITISING OUR MATERIAL MATTERS

Towards building a strong and meaningful strategy for sustainability, it is fundamental that we identify and assess aspects of our business that are relevant to economic, environmental and social sustainability.

To carry out this assessment, the Sustainability Working Committee, along with the key departments within the Company deliberated on the aspects of sustainability within the main categories of economy, product, governance, people and planet as listed in the GRI G4 Guidelines. Accordingly, 20 material sustainability matters were identified and ranked to be of medium, high or critical importance to the Company's business operations as well as its stakeholders. Based on the ranking, we derived the materiality matrix as shown below.



PRIORITISING OUR MATERIAL MATTERS (CONT'D)

The 20 material sustainability matters are aligned to the relevant GRI Indicator, stakeholder group(s) and SDG in the table below.

Material Sustainability Matters	GRI Indicator	Stakeholder Group (s)	SDG
1 Economic Performance	Economic Performance	Shareholders and Investors	8
2 Product Safety and Quality	Product Responsibility	Customers, Regulatory Bodies, Distributors	3
3 Brand and Reputation	Indirect Economic Impacts	Shareholders and Investors, Media	8
4 MLM Enterpreneurship	Indirect Economic Impacts	Distributors	1
5 Customer Satisfaction	Product and Service Labelling	Customers, Certification and Regulatory Bodies	3
6 Corporate Governance and Risk Management	GRI General Standard Disclosures	Certification and Regulatory Bodies, Employees	16
7 Product Certification	Product Responsibility	Certification and Regulatory Bodies, Customers	16
8 Product Innovation	Indirect Economic Impacts	Customers, Distributors	9
9 Manufacturing Certification	Product Responsibility	Certification and Regulatory Bodies	8
10 Ethics and Integrity	Anti-Corruption	Regulatory Bodies, Shareholders and Investors, Employees, Distributors	16
11 Talent Retention and Leadership Development	Employment	Employees	8
12 Employee Well-being	Diversity and Equal Opportunity	Employees	3, 8
13 Succession Planning	GRI General Standard Disclosures	Shareholders and Investors, Employees	16, 8
14 Occupational Health and Safety	Occupational Health and Safety	Employees, Regulators	3
15 Supply Chain Management	Procurement Practices	Suppliers	12, 8
16 Training and Development	Training and Education	Employees	8
17 Community Engagement	Local Communities	Local Communities	1, 4
18 Green Product and Packaging	Effluents and Waste	Certification and Regulatory Bodies, Customers	12
19 Waste and Recycling	Effluents and Waste	Regulatory Bodies	12
20 Energy Consumption	Energy	Regulatory Bodies	13, 7

To contribute to the sustainable growth of the economy by creating business opportunities for entrepreneurs

CDM Conference – One of the annual programmes to motivate and instill team spirit.

We believe that in order to meet the long-term expectations of our stakeholders, we should be a financially strong and viable business that is able to adapt to changing market landscapes to remain relevant and profitably grow our revenues year after year. While our financial performance for the reporting period is highlighted from page 92 to 172 in the Annual Report, this section discusses our indirect economic impact.

RECRUITING LOCAL TALENT

As a Malaysian company, we seek to strengthen the local economy by creating employment opportunities and recruiting local talent. Currently, the composition of Hai-O's senior management is 100 per cent Malaysian. We believe that local experienced hires have a better understanding of the retail market trends in Malaysia that are determined by the diversity that exists within the country's multi-racial population.

CREATING OPPORTUNITIES FOR GROWTH

The success of Hai-O's MLM division is credited to the entrepreneurial ingenuity of our distributors. Through employment generation and by providing a platform for skill development and business collaboration, we continue to have a positive impact on the lives of our distributors. This is especially true for our female entrepreneurs who constitute approximately 80 per cent of the team, which as of 30 April 2018 had a total strength of 153,000.

Our subsidiary, Sahajidah Hai-O Marketing Sdn Bhd ("SHOM") handles the MLM segment of our business. As a distributor, product awareness is crucial as they are accountable to the Company as well as to the customers. With digital marketing and e-commerce on the rise, we organised tutorials with Facebook in order to harness this platform during peak shopping seasons.

'Leaders Training' and 'Table Talk' are programmes that we organised to encourage distributors to raise concerns they may have about the Company or the product and to obtain information from members on the market demand and response. Other than training, we organised informal programmes to instil team spirit and motivate our distributors. *'Hai-O My Choice For Life'* was one such programme that had all the participants learning to synchronise and dance together as a team.

Training Programmes (FY2018) = 66

Our distributors are rewarded based on their performance and this includes a monthly bonus, overseas incentive trips and awards. To recognise the contribution of distributors who have excelled and boosted sales, we confer awards at annual events such as Sales Manager/Senior Sales Manager ("SM/SSM") Award Ceremony, Diamond Night and Anniversary Celebration.

SM/SSM Award Ceremony

To recognise Sales Managers and Senior Sales Manager who have achieved the set sales target.

Diamond Night

To recognise Diamond Sales Manager and Double Diamond Manager who have achieved the set sales target.

Anniversary Celebration

To recognise Crown Diamond Managers ("CDM") - who hold the highest position within SHOM's entrepreneurial ranking - for achieving their targets.

SUSTAINABLE PROCUREMENT PRACTICES

To procure sustainably is to engage local suppliers to create economic opportunity for local businesses and to reduce the environmental impact of transporting goods from overseas. Although we have yet to implement a policy to ensure local procurement, about 65 per cent of procurement was expended to local suppliers.

GOVERNANCE

To foster corporate transparency and lay the foundation for strong and sound leadership

The principles and processes that are integral to embedding integrity and transparency into Hai-O's corporate culture are disclosed in the *'Corporate Governance Overview Statement'* section of this Annual Report. This section, however discusses how the Company engages its key stakeholders in order to foster the management of risks, ethical conduct and compliance.

TRANSPARENCY AND BUSINESS ETHICS

Hai-O's Code of Ethics and Business Conduct, Whistleblowing Policy and guidelines to avoid any conflict of interest, are clearly stated in the Employee Handbook. The expectations of the Company on these matters are communicated to every new employee on Orientation Day through slides presentation. In FY2018, we recruited 146 new employees inclusive of replacement employees, of which 60 were men and 86 were women. If any change is made to the aforementioned policies or processes, employees are notified by internal circular through email. Furthermore, this handbook is on the HR's internal portal and is available in both English and Chinese, thereby making it more accessible to staff.

On the other hand, the Business Handbook which is meant for the distributors is available in Bahasa Malaysia, Chinese as well as English to cater to the language needs of this stakeholder group's demographic. The Code of Ethics and key aspects of a distributor's role including product exchange, advertising and promotion, data protection and price fixing are included in this handbook. The Marketing Plan is also enclosed in this handbook which states the bonus calculation and rank progression of distributors. The CDM is updated on the Company's plan during the Annual CDM Conference and the CDM Hari Raya gathering. Through such efforts, we aim to keep our stakeholders regularly informed and updated.

We have established very clear and transparent lines of communication with our internal as well as external stakeholders. Shareholders and potential investors are kept abreast of our operations through different methods of periodic reporting which the Company undertakes. This includes the Annual Report, AGM/EGM minutes, Bursa announcements, press releases, Corporate Presentation and Results Update, and Analyst Reports, all of which are made available on the corporate website.

REGULATORY COMPLIANCE

Regulatory bodies and Trade Associations, including the Direct Selling Association of Malaysia, the National Pharmaceutical Regulatory Agency and the Department of Environment form one of our key external stakeholder groups. We prioritise compliance throughout our value chain as we understand the implications and disruption non-compliance can have on the socio-economic and environmental aspects of our business. By virtue of our strict adherence to the laws and regulations of the country that are applicable to our business, there were no material sanctions or penalties incurred by the Group during the reporting period.

Applicable Laws and Regulations include:

- ✓ Companies Act 2016
- ✓ Security Industry Act 1983
- ✓ Capital Markets and Services Act 2007
- ✓ Securities Commission Malaysia Act 1993
- ✓ Securities Industry (Central Depositories) Act 1991
- ✓ Employment Act 1955
- ✓ Personal Data Protection Act 2010
- ✓ Direct Sales And Anti-Pyramid Scheme Act 1993 (Act 500) And Regulations
- ✓ Franchise Act 1998
- ✓ Medicines (Advertisement and Sale) Act 1956
- ✓ Food Act 1983
- ✓ Standards of Malaysia Act 1996 (Act 549)
- ✓ Control of Drugs and Cosmetics Regulations 1984
- ✓ Traditional and Complementary Medicine Act 2016
- ✓ Environmental Quality Act 1974
- ✓ Other applicable laws and regulations relevant to the Group Business operations

Risk management and compliance tie in to the Company's performance on sustainability. Preparing for and managing potential risks - both financial and non-financial - build business resilience, ensure stakeholder's concerns are continuously addressed and reduce the chances of reputational harm.

To create a corporate culture that champions safety, good conduct, skill development and community engagement

Our diverse and talented workforce propels Hai-O to be a successful business. By motivating them, engaging them and understanding their concerns, we build loyalty. Employee feedback is important to us and we conduct surveys once every 3 years on aspects of our business including pay, training, job security and quality of leadership. The next survey is scheduled for 2019.

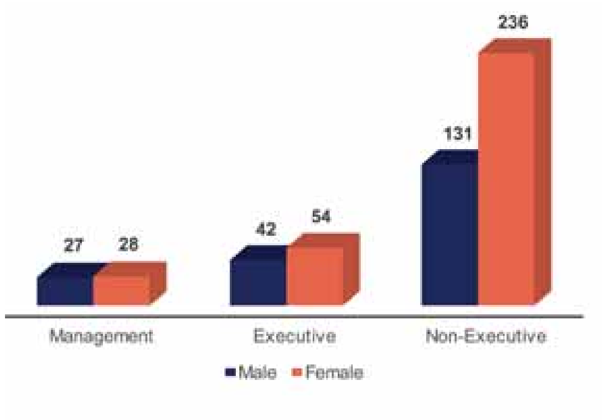
Furthermore, we encourage them to volunteer and support communities that are less fortunate through our community engagement programmes. By doing so, Hai-O's community outreach programmes have a positive impact on both the employees and society at large.

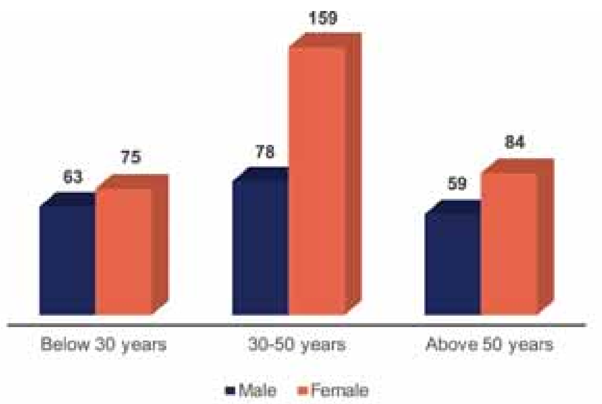
DIVERSITY AND INCLUSIVENESS

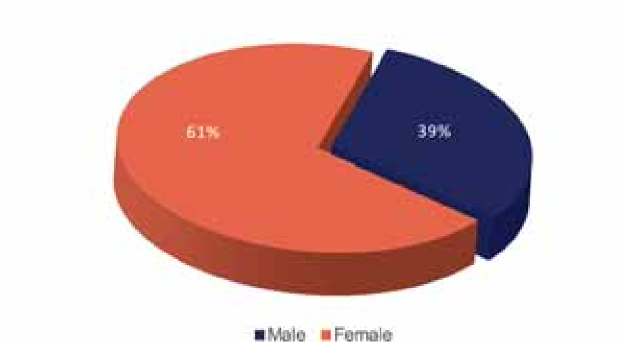
We strongly believe that the creation of long-term value is intrinsically linked to the development of human capital, a strategic asset that Hai-O is committed to respect, protect and nurture. By offering our employees a workplace that is safe and conducive, where they can express their capabilities and talent to the fullest, we sustain an effective and dynamic team.

We recruit candidates that have the necessary qualifications, experience, aptitude and are best suited for the job, regardless of gender. This holds true even for the selection of candidates for career advancement within the organisation.

As shown below, female employees make up 61 per cent of our workforce and male employees 39 per cent. It is worth noting that across all 3 employment categories - Management, Executive and Non-Executive - the number of women exceed that of men.



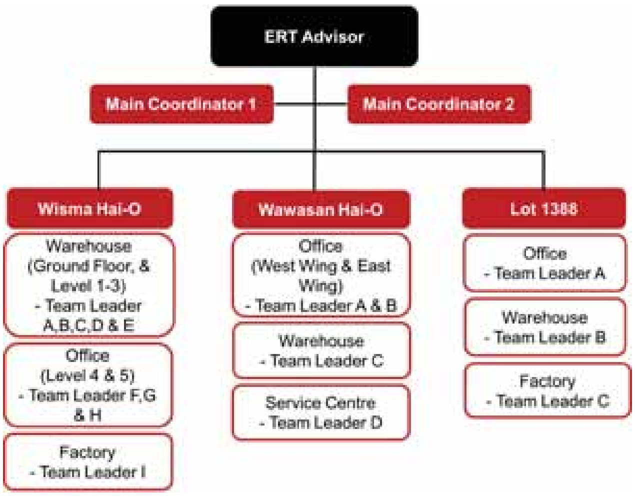




PEOPLE (CONT'D)

ENSURING A SAFE WORKPLACE

Occupational health and safety is an important aspect of our corporate culture in running our day-to-day operations. The measures we have in place to ensure a safe working environment for our employees include the setting up of emergency response teams ("ERT") and a firefighting prevention team. We are in the process of implementing an Occupational Health, Safety and Environment ("OHSE") Committee and are currently drawing up the OHSE guidelines.



Each of the 3 buildings - Wisma Hai-O, Wawasan Hai-O and Lot 1388[1] - has an ERT. A total number of 24 employees are involved in these ERTs, led by an ERT Advisor and supported by two Main Co-ordinators and ERT team leaders of the respective buildings or units.

The other health and safety measures include appointing a Safety Officer at Lot 1388, organising a talk on *'Fire Safety Awareness'*, a demonstration on *'Firefighting Equipment'* at Wawasan Hai-O, attending a course on *'Basic Operational First Aid, CPR and AED'*, and conducting a fire drill demonstration involving Wawasan Hai-O staff. Despite our efforts to reduce accidents and mishaps at the workplace, we recorded one incident during the reporting period which led to 25.5 hours of loss of work time.

TRAINING AND DEVELOPMENT

Our training programmes are designed to motivate employees to acquire marketable skills, thereby benefiting themselves as well as the Company. As we navigate through a competitive market environment, we recognise the importance of staying abreast of matters concerning business trends and consumer behaviour. The sheer pace at which technology advances, requires us to reskill and learn new ways of marketing and communicating. During the reporting period, we arranged external programmes such as *'Facebook Marketing'* and *'Asia IoT Business Platform 2018'* for staff whose work is pertinent to these aspects of our business. We also organised in-house programmes such as *'Achieving Results with Focus and Prioritisation'* and *'Professional Grooming at Your Workplace'*.

The following training programmes that we attended in 2018 pertain to the importance we place on maintaining the standards and certifications relevant to our industry:

Transition to ISO/IEC 17025:2017
Introduction to HACCP
Introduction to ISO 9001:2015
Basic Training on SAMM MS ISO/IEC 17025:2005 Accreditation

Skills required for leadership development are yet another aspect of training we address regularly. *'HR for Non-HR Manager'*, *'Key Performance Indicators (KPI) at Work'* and *'Effective Business Writing for Leaders'* are training programmes that were organised in FY2018 for our employees at management level.

[1] *Hai-O's manufacturing plants.*

Regular Training Courses for retail front-liners and the operations team.

Our employees receive in-house as well external training programmes and the key programmes are highlighted in the table below.

In-house Training

- ✓ Communication Skills
- ✓ Professional Grooming at your Workplace
- ✓ Achieving Results with Focus and Prioritisation
- ✓ Miracles of Excel Formulas and Functions
- ✓ Effective Business Writing for Leaders
- ✓ Stress Management
- ✓ Commercial Contract and Sales of Goods
- ✓ Fire Drill Training
- ✓ Computer Internet Security
- ✓ Key Performance Indicators (KPI) at Work

External Training

- ✓ Audit Committee Conference 2018 – Internal Auditing in the Age of Disruption
- ✓ Bursa Advocacy Session on Corporate Disclosure
- ✓ MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure
- ✓ What's the Latest on Transfer Pricing
- ✓ Transfer Pricing: Current Practices and the Way Forward with BEPS Proposals
- ✓ Risk Management Programme – I am Ready to Manage Risks
- ✓ Building a Successful Business on Strong Corporate GST Strategy
- ✓ Digital Marketing and Business Transformation Sharing session
- ✓ Success Factors for Manager
- ✓ Personal Data Protection Conference (Akta 709)
- ✓ Facebook Marketing
- ✓ Speak Up and Stand Out
- ✓ Influential Public Speaking and Presentation Skills
- ✓ Mastering Interviewing Skills
- ✓ Basic Occupational First Aid, CPR and AED Training

Our retail staff also receive regular training to learn and upgrade skills required to run Hai-O's retail outlet operations. The supervisor training programmes are conducted on a quarterly basis and a Sales Performance Review Workshop is conducted on a half-yearly basis. The key training programmes that Hai-O's retail staff receive are listed below.

Staff Induction Programme – Fundamentals of Retail Management
Retail Management – Course 1 and 2
Chinese Herbal Medicine Course
Intensive On-the-Job Training
4D-MRA Health Test Machine Training

The total and average hours (hrs) invested across the organisation for training during the reporting period was as shown below.

Total Training Hours

13,312 hrs

Average Training Hours

50 hrs Management	**28** hrs Executive	**21** hrs Non-Executive
26 hrs Per Employee	**29** hrs Female	**20** hrs Male

PEOPLE (CONT'D)

Presenting Long Service awards to our loyal staff at Hai-O's 43rd anniversary celebration dinner.

EMPLOYEE RECOGNITION

We recognise the importance of creating a workplace that is conducive and encourage employees to work to their full potential. The minimum wage offered to our workers is in line with the amount stipulated by Malaysia's Minimum Wage Order 2016. Moving beyond the baseline, we provide competitive and fair remuneration packages to our employees that meet the market standard.

The standard set of benefits cover medical, social security, allowances, Hospitalisation and Surgery insurance and Group Personal Accident insurance coverage. The bonus and incentive distribution, among others will take into consideration the job grade, performance and contribution of each employee as well as the Group's overall performance. In addition to these benefits, the Company during the financial year granted 2,189,000 ESOS (Employees' Share Option Scheme) to the Directors and eligible employees of the Company and its subsidiaries.

One of the benefits that every employee is entitled to is the standard discount rate for the purchase of Hai-O products. We issue a Hai-O Friendship Card to employees once confirmed and this card can be used at all our retail chain stores. The purchase quota is subject to the Company's policy.

An effective way in which the Company engages its employees is through Kelab Muhibbah Hai-O, a recreation club set up by the employees. The sports and recreation activities organised by the club strengthens team spirit and camaraderie amongst our employees.

At Hai-O, we recognise both high performance and loyalty. Employees, teams and franchisees identified to have excelled in their respective line of work, receive awards. Along with a plaque, these awards include a cash prize and an overseas trip.

Awards	Frequency	Recipients (FY2018)
Best Employee Award	Biennially	3
Best Company Award	Annually	1
Best Sales Personnel/ Best Sales Team Award	Annually	1
Best Performance Award (retail outlet)	Annually	5
Best Franchisee Award	Biennially	1

Loyalty, on the other hand, is recognised with the *Long Service Award* which is given to employees when they complete 10, 20, 25, 30, 35 and 40 years with Hai-O. They receive a plaque as well as a cash prize that commensurate to the number of years they have worked with the Company.

Award	Recipients (FY2018)
Long Service Award	29

COMMUNITY ENGAGEMENT

As a socially responsible citizen, we strive to have a positive impact on the well-being of our surrounding communities. The establishment of Hai-O Foundation in 2009 reflects our commitment to corporate responsibility. Since its inception, Hai-O Foundation has actively reached out to local communities, particularly the less fortunate as well as supported educational and cultural causes in various ways.

Encouraging Quality Education

Hai-O Foundation committed to organize another 6 Ai Hua Jiao fund raising programmes in 2018.

October 2017: The Ai Hua Jiao fund raising campaign is an ongoing programme organised by Hai-O Foundation along with Sin Chew Daily. This campaign aims to empower the future generations by providing high quality educational infrastructure and facilities. Over the past 8 years, through the Ai Hua Jiao Concert, the Foundation has raised RM73.4 million which benefited 53 Chinese-Medium schools since 2010.

The 21st Century Smart Classrooms Education Programme - another CSR flagship programme by Hai-O to encourage quality education

November 2017: We organised a programme to encourage quality education via the 21st Century Smart Classrooms Education Programme. This programme is a collaboration between Hai-O Foundation and the Selangor State Education Department. Launched in November 2017, its objective is to enhance learning and the teaching process by furnishing classrooms with contemporary education tools and equipment. During the reporting period, 10 primary schools in the district of Klang benefited from this programme. They received innovative classroom equipment and an enhancement to the school facilities. The financial and non-monetary contribution towards this programme was approximately RM200,000 in FY2018.

PEOPLE (CONT'D)

Hai-O Excellent Academic Awards 2018 to recognize the academy excellence of our distributors' children.

"Excellent Academic Awards" 2018: These awards were started by Hai-O to appreciate the success of distributors' children in achieving academic excellence and the commitment of distributors as parents towards their children's achievements. A total of 109 distributors with their children were recipients of this award during the reporting period. 2018 also saw the children of 5 Hai-O employees receiving this award.

Hai-O Higher Educational Aid: Launched in 2014, this aid was introduced to provide financial assistance to employees' child pursuing a degree or postgraduate programme at higher learning institutions. On an annual basis, eligible recipients are entitled to a maximum of RM5,000 per academic year and in FY2018, 15 employees' children were beneficiaries of this aid.

Hai-O Foundation - Providing financial aid to employees' children pursuing a degree or postgraduate programmes.

Supporting Vulnerable Communities

July 2017: Hai-O joined hands with Rumah Nur Kasih Bestari, an organisation set up to provide education to orphans ranging from as young as 2 years old to adolescent teenagers. We celebrated the annual Jamuan Hari Raya with orphans from this organisation and their guardians. There were altogether 20 orphans from Rumah Nur Kasih Bestari and our employees who participated to show our support for the children and the organisation. Towards this celebration, we sponsored meals and paid for their travel expenses to the banquet.

November 2017: Towards providing humanitarian aid to the flood victims, Hai-O Foundation contributed RM100,000. This contribution helped to ease the burden of the flood victims and helped them to remain steadfast and resilient despite vulnerable circumstances.

November 2017: We sponsored and donated towards the *'6th Rainbow in My Heart Art Competition 2017- Caring for those with special needs'*. Children and adults with special needs such as autism and learning and developmental disabilities were invited to participate. We believe that this competition is a great platform for those with special needs to communicate and express their thoughts through art. This approach is known to help them manage the environment they are in.

February 2018: Kelab Muhibbah Hai-O organised our annual visit to the Klang orphanage – House of Love - where the Kelab and employees donated money and utilities to cover their needs.

PEOPLE (CONT'D)

Spreading Health Awareness and Community Harmony

Group Chairman, Mr Tan Kai Hee, launched the Blood Donation Campaign 2017.

July 2017: Hai-O and Kelab Muhibbah Hai-O along with Persatuan Hokkien Klang, Angkatan Pertahanan Awam Malaysia Selangor, Angkatan Pertahanan Awam Sg. Pinang and Klang Parade, organised a blood donation campaign. During the campaign, a total of 179 bags of blood were collected and the participants also benefited from health check-ups, dental check-ups and healthcare awareness.

January 2018: Kelab Muhibbah Hai-O along with Angkatan Pertahanan Awam Unit Sg. Pinang, organised the *'Joy 4 Klang - Run or Ride'*. The event had more than 2,000 people participating either in the 6km run or the 25km ride. The objective of *Joy 4 Klang* was to promote social harmony, healthy living, a better understanding of Klang and to encourage people to join the Angkatan Pertahanan Awam.

Flag off - "Joy 4 Klang - Run Or Ride".

To provide safe and high-quality products that cater to improving the well-being of our customers.

We offer a wide range of products including healthcare, food supplements, beauty products, household products and long renowned wellness products. However, in order to win the confidence of our customers to buy our products, we recognise the importance of customer feedback and product certification.

STANDARDS AND CERTIFICATIONS

To ensure that we consistently provide products and services that meet customer expectations and applicable statutory and regulatory requirements, we work towards meeting internationally recognised quality and safety standards for our operations.

Hai-O Operations	Certification	Description
MLM and Manufacturing	ISO 9001:2015	Quality Management System
Manufacturing	Good Manufacturing Practice (“GMP”)	Quality Management System
	SAMM[2] Accreditation (MS ISO/IEC 17025)	Quality Standard for Laboratories
	HACCP[3]	Food Safety Management System

[2] *SAMM stands for Skim Akreditasi Makmal Malaysia*
[3] *HACCP stands for Hazard Analysis and Critical Control Points*

In order for the MLM and manufacturing segment of our operations to be ISO, GMP, SAMM as well as HACCP certified, regular audits and inspections are conducted.

	ISO	GMP	SAMM	HACCP
Audit Frequency	Annually	Annually	Annually	Biennially

CUSTOMER HEALTH AND SAFETY

Wholesale - All pharmaceutical products including health supplements and traditional preparations must be registered with the Drug Control Authority (“DCA”) of Malaysia before being marketed in Malaysia. Products registered with the DCA have two main features, the registration number (starting with ‘MAL’) and genuine hologram security label, both of which are available on the packaging. For instance, all our MAL products, including Chinese medicated liquor/tonic, traditional Chinese medicine and external application products are duly observed with Meditag hologram labels on their packaging which is a requirement. This allows our customers to verify the authenticity of the product and to buy from the registered holder.

The National Pharmaceutical Control Bureau[4] (“NPCB”) ensures the quality, safety and efficacy of products for the local market through a registration and licensing scheme. Drug interactions, side effects, shelf life, storage condition, signs and symptoms of overdose are some of the product criteria that NPCB looks into before registering the product.

In order to maintain a valid registration as product registration holders, we fully comply with NPCB's strict rules. Any amendment to our MAL product labels or packaging requires submission to NPCB through QUEST-3[5] and is subject to approval.

[4] *Pharmaceuticals, traditional and health supplements, cosmetics and veterinary products are regulated by NPCB.*
[5] *The Quest3 system is a new enhanced, integrated and computerised system used by the NPCB. It enables the Product License Holder, Manufacturer, Importer and other related users to conduct a secured online transaction for the purpose of product registration, renewal of registration, change of manufacturing site and for application for variation of product particulars such as labelling, packaging sizes and claims.*

PRODUCT (CONT'D)

MLM - Within the MLM segment of our operations, all related products are assessed for their health and safety impacts and the assessments are done by professional testing bodies recognised by government agencies. The breakdown by product categories are:

Cosmetic and Personal Care products with 2 to 3-year shelf life
Food products with 1 to 3-year shelf life
Wellness products with 2 to 5-year shelf life

Retail - Herby Natural Nutriments Meal, Zan Black Secret Mixed Cereal Powder, Zan Almond Walnut Cereal Powder, GLOU Glamo 10000 Collagen Drink and Herby Seaweed Drink undergo product inspection and come with a self-assessment report. Framing residue, moisture content, mold fungus, bacteria, PH, colour and lustre, and flavour are some of the product inspection criteria for which these products are assessed.

PRODUCT LABELLING

"Informed choice, much as in the case of nutrition labelling, is hoped to empower people to consume more sustainably" (European Commission, 2008). We believe that product labelling plays an important role in increasing transparency along the food chain and informing the consumer of the safe use of our products.

Hai-O Cordyceps capsules and Min Kaffe are examples of products from Hai-O's retail as well as MLM segment that provides product information to ensure customer awareness relating to product safety and quality.

In fact, the product information on the packaging of products for MLM such as Min Kaffe is made available in 3 languages: English, Chinese and Bahasa Malaysia for the convenience of the customers.

CUSTOMER SATISFACTION

Satisfied customers make a significant impact on the Company's bottom line. We distribute customer satisfaction surveys on a yearly basis to garner their feedback on our products and services and to identify which aspect of the business needs improvement.

Customer satisfaction surveys are carried out regularly at training programmes, during overseas incentive trips and at all mega events organised by Hai-O. Besides which, we distribute an annual survey questionnaire which covers key aspects of Hai-O's MLM operations, including:
- Product and distribution
- Activity and events
- Customer service and communication
- Information and e-commerce

In 2017, 348 customers participated in this survey bringing the participation rate to 96.4 per cent. The key results of the survey are as shown below:

1	Most unsatisfactory
2	Unsatisfactory
3	Average
4	Satisfactory
5	Very satisfactory

	1-2	3	4-5
Product and Distribution			
Product Satisfaction	0.59%	2.35%	97.06%
Activity and Event			
Courses and Training organised by SHOM	0.57%	7.18%	92.24%
Customer Service and Communication			
Service Satisfaction from branch and stockist	0.30%	6.65%	93.05%

Information and E-Commerce	Yes	No
Receiving latest information	99.69%	0.31%
Satisfaction with information channel	98.77%	1.23%
Knowing e-commerce with SHOM	77.33%	22.67%
Purchase products via e-commerce	48.30%	51.70%
Satisfaction with quality on e-commerce	75.23%	24.77%

Every MLM branch and stockist is given a *'Distributor Memorandum'* for customers to fill up should they have any complaints or suggestions. All complaints including those relating to the product are received by customer service and forwarded to the Product Development and Promotions department for further action through the 'Monitoring and Measurement of Product and Non-Conformity Control Procedure'. Through this channel, the total number of product complaints received between May 2017 and April 2018 was 57 and all were resolved.

We continuously seek to establish sustainable and transparent lines of communication between the Company and our customers as their feedback allows us to anticipate their needs and stay one step ahead. During the reporting period, we received 4 complaints from Hai-O's wholesale operation. All the cases were resolved.

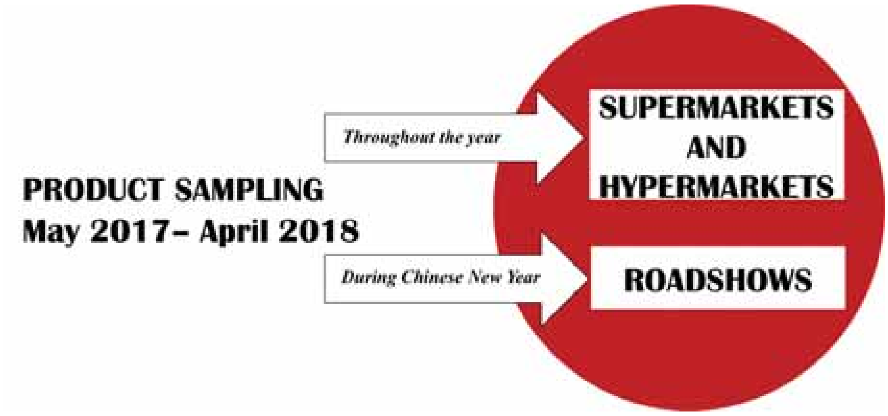
In retail, customers can raise concerns and complaints via:
- Hai-O General Email: info@hai-o.com.my
- Hai-O Chain Store Facebook
- Hai-O Chain Store WeChat
- Hai-O Chain Store Customer Service Hotline: 03-3343 8889
- Customer Complaint/Feedback Form

The number of cases that came through these lines during the reporting period was 26, all of which were addressed and resolved in a timely manner.

PRODUCT (CONT'D)

CUSTOMER ENGAGEMENT

Other ways in which we engage with our customers is through activities such as health talks and product sampling. The latter is essentially to allow our target customer to understand and explore the benefits of our products.



The retail segment of our operations provides a membership and loyalty programme to increase our customer's value, organises health talks to enhance public and health knowledge on Traditional Chinese Medicine and provides priority purchase of selected products to members for a limited time period.

In MLM, the distributors and customers are made aware of their rights as consumers through:
- Email: info@hai-omarketing.com.my
- Toll-free 1-800-88-2700 – Specific for product enquiry and is stated in the website and also product billboard
- WhatsApp – Another privilege enjoyed by CDM is access to an exclusive WhatsApp number

The Company website, internal bulletins and Facebook messenger are other channels our customers can use to get in touch with us. In addition to online platforms, we interact with our customers through various types of training, courses and briefings so as to empower our distributors to be more competent and keep them on the cutting edge of industry developments.

To strengthen our efforts towards protecting the environment when carrying out our business operations.

We are keen to mitigate any negative impact on the environment brought on by our operations. Our steps in this direction include improving energy efficiency, reducing waste that enters the landfill and promoting the use of eco-friendly products.

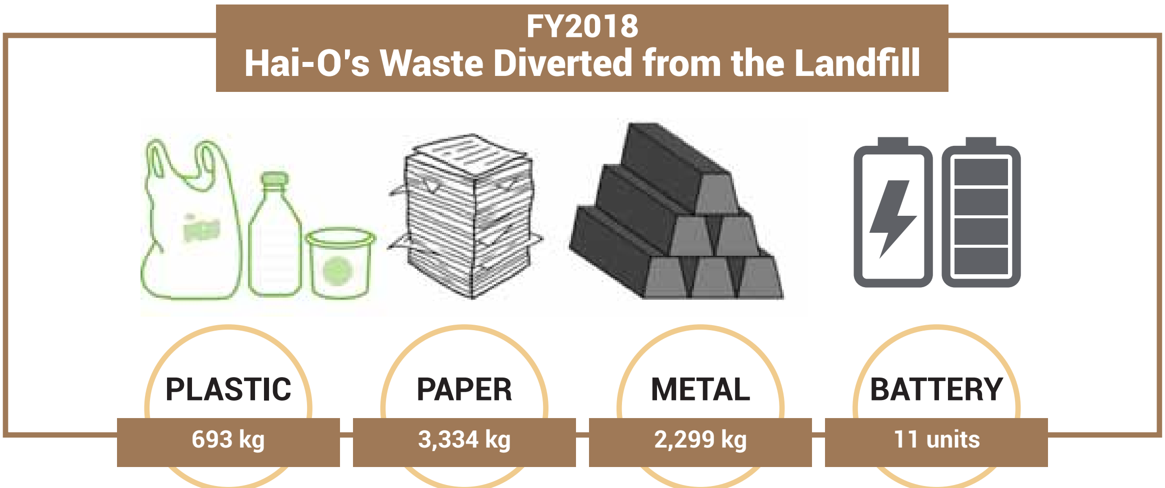
ENERGY EFFICIENCY

In order to reduce the use of incandescent bulbs which are inefficient and contain hazardous mercury, we have begun installing LED lights in stages at our office and manufacturing premises. The latter is free from harmful chemicals, recyclable and energy saving. As of 30 April 2018, the total percentage of LED lights installed at our main buildings, namely, Wisma Hai-O, Wawasan Hai-O and Lot 1388, all of which are located in Jalan Kapar, Klang and Sun Kompleks in Kuala Lumpur respectively was totalling to approximately 30 per cent.

As at FY2018, 7 out of Hai-O's 49 retail outlets were installed with LED lights with an average yearly savings (RM) of 26 per cent per outlet. We plan to install LED lights in the other outlets in stages and to calculate the energy savings to assess the environmental impact of switching to LED.

RECYCLING

At Wisma Hai-O, Wawasan Hai-O and Lot 1388, we practice 3R, i.e. Reduce, Reuse and Recycle. We segregate the waste into plastic, paper and batteries, which are then collected by the respective scrap collectors. During the repair and renovation of our buildings, we salvage the metal scrap which is also collected for reuse.



As per the advice of the Department of Environment ("DOE"), we disposed of the broken medicated glass bottles in a manner that is less detrimental to the environment. Such glass waste collected from our warehouse and that which is returned by customers are disposed at an engineered landfill that is in compliance with the highest requirement of the DOE. During the reporting period, we disposed of 230 kg of glass waste in this way.

Yet another practice we observe in order to reduce wastage is to salvage broken wooden pallets and reuse carton boxes. We are able to repair 3 to 4 broken pallets to make 2 units of wooden pallets for reuse. The carton boxes that we used to pack all the assorted products ordered by customers before sealing and delivering to the customers, are also reused for a couple of cycles as long as it is in good condition.

PLANET (CONT'D)

OTHER GREEN INITIATIVES

Packaging - Within wholesale and retail, we have reduced the use of Polystyrene in packaging. Polystyrene or more commonly known as Styrofoam can be extremely useful and versatile, however, it is also known for its harmful effect on the environment.

We have taken a cautious effort to reduce the use of Styrofoam in product packaging. As a result, the following products no longer have Styrofoam in their packaging:

Hai-O Essence of Chicken with American Ginseng and Cordyceps

Hai-O Essence of Chicken with Ginkgo Biloba and American Ginseng

Eco-friendly Products – The impact of chemical cleaning products on users who have long-term exposures at higher concentrations, can be severe. We acknowledge our ability to improve the well-being of our customers by increasing their accessibility to household products that are less harmful to the environment as well as to the health of the user. For instance, two of our household products - BioCleanz Multi-Purpose Cleaner and BioCleanz Multi-Purpose Spray - is made from Sea Ion[6] extract. It is toxin-free, free of preservatives, contains non-toxic foaming agents, has no harmful petrochemicals to human health and environment, and made of natural perfumes, recyclable biodegradable and eco-friendly ingredients.

- ✓ BioCleanz Multi-Purpose Cleaner
- ✓ BioCleanz Multi-Purpose Spray

Going Paperless – Towards conserving the use of paper and consequently, its wastage, we have taken efforts to encourage e-statements, e-registration and e-sales kit for our distributors. Since 1 January 2016, we have been using e-statements and besides its environmental benefits, we have also noticed a reduction in late, missed and non-delivery hassles.

1 October 2017 saw the introduction of member e-registration. E-registered distributors are now given an e-sales kit instead of hard copy sales kits which has led to savings in terms of resources used, printing cost, staff overheads and postage cost.

CONCLUSION

We recognise the importance of monitoring our year-on-year performance in order to identify gaps and set targets to further solidify our commitment to sustainability. Moving forward, we intend to progressively learn from and improve upon our sustainability initiatives. Hai-O's efforts to execute its social and environmental responsibilities during the reporting period has laid the foundation and set the direction of the Company towards sustainability. Moving forward, we are confident that we will build a strong, sustainable and resilient business.

[6] *Sea Ion passed the EU standard inspection (food category) and is certified as an eco-friendly detergent. The extraction of Sea Ion has been incorporated with the technology of raw extraction by European and The US Research Offices since 1991.*

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 is appointed by the Board of Directors ("the Board") from amongst its members, and presently comprises four (4) Directors, all of whom are Independent Non-Executive Directors who satisfy the test of independence under the Main Market Listing Requirements ("MMLR") of Bursa Securities. A majority of the AC members possess 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 respect to this, 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.

The current AC comprises the following Directors: -

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
Tan Beng Ling	Member	Independent Non-Executive Director

TERMS OF REFERENCE

The terms of reference which include composition, authority, responsibilities, meetings and specific duties of the AC are disclosed and published on the Company's website at www.hai-o.com.my under Investor Relations – Corporate Governance section.

ATTENDANCE OF MEETINGS

A total of five (5) Committee meetings were held during the financial year ended 30 April 2018. The attendance of each Committee members is summarized 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
Tan Beng Ling*	-

* *Appointed to the Board and member of AC on 16 April 2018. There were no AC meetings held during the financial year after her appointment.*

ATTENDANCE OF MEETINGS (CONTINUED)

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 2018, 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 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 are 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 and their team 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, the AC shall promptly report such matter to Bursa Securities.

SUMMARY OF WORK DURING THE FINANCIAL YEAR 2018

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

During the financial year ended 30 April 2018 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 the financial year ended 30 April 2018 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 accounting standards and regulatory requirements as well as the assistance given by employees of the Company to the External Auditors;

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 2018;

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;

SUMMARY OF WORK DURING THE FINANCIAL YEAR 2018 (CONTINUED)

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 on the Group's business and communication on 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 FY2018 and recommended to the Board for the re-appointment of KPMG PLT as External Auditors for the financial year ending 30 April 2019 and the fees proposed;

6. Reviewed and assessed the staff force requirement of the In-house Group Internal Audit Department ("IAD") and approved the renewal of the service contract of the co-sourced Internal Auditors;

7. 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;

8. 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 that audit resources are sufficient to enable the Internal Auditors to discharge its functions effectively;

9. Reviewed the progress of the audit plan on a quarterly basis and to ensure the adequacy and effectiveness of the internal audit activities, the availability of adequate resources and the scope of audit;

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

11. 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;

12. Reviewed the related party transactions ("RPT") and conflict of interest situations 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 2018;

13. Reviewed and verified that options allocated and granted during the financial year under the Company's Employees' Share Option Scheme ("ESOS") were in accordance with the allocation criteria approved by the ESOS Committee and in compliance with the By-Laws of the ESOS. Areas reviewed include maximum number of shares available under the ESOS, eligibility of the allottees and basis of allocation; and

14. One of the members of AC had performed routine visits to the Group IAD 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 2018

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 gives a true and fair view of the state of affairs;
- financial 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.

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR 2018 (CONTINUED)

1. Financial Reporting (continued)

New financial reporting standards and amendments that came into effect during the financial year were discussed with the External Auditors at the AC meetings. The adoption of these new standards and amendments did not have any significant impact on the financial results for the current or prior years 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 the annual audit plan to set 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 before 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 three (3) times with the External Auditors during the financial year ended 30 April 2018 at the AC meetings held on 28 June 2017, 21 July 2017 and 22 March 2018. The AC had three (3) private meetings with the External Auditors without the presence of the Management and Internal Auditors at the AC meetings held on 28 June 2017, 21 July 2017 and 22 March 2018 respectively.

3. Internal Audit

The AC reviewed and approved the Annual Internal Audit Plan for financial year 2018 for the Company and the Group presented by the Head of In-House Internal Auditor and 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 were 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 2018, the AC met five (5) times with the Internal Auditors at the AC meetings held on 28 June 2017, 21 July 2017, 19 September 2017, 18 December 2017 and 22 March 2018. The AC had one (1) private meeting with the Internal Auditors without the presence of the Management at the AC meeting held on 22 March 2018.

A total of eleven (11) audit reports were furnished to the AC for review and deliberation, of which seven (7) reports were presented by the Group IAD and four (4) reports by CGRM. The internal auditors had reviewed and conducted audits and assessed the adequacy and integrity of the systems of 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 for discussion and assessment.

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR 2018 (CONTINUED)

3. Internal Audit (continued)

With regards to the internal control framework, Group IAD and CGRM adopted COSO framework and principles as methodology to assess the system of effective internal controls. Both IA conducted the audit with reference to the guidelines of The International Professional Practice Framework, International Standards for the Professional Practice of Internal Auditing, and following the guidance of The Institute of Internal Auditors' Code of Ethics as well as the Group's and the Company's policies.

In arriving at the Internal Auditors' professional judgement, sufficient and appropriate audit procedures were completed and supported by evidence to accurately report the conclusions reached and contained in the audit report. The conclusions were based on a comparison of the actual situation at the time of the audit with the assessment criteria, best practice and generally accepted standard of practices.

The Head of Internal Audit, Ms. Wong Ngiik Moi was appointed in March 2016 and is supported by two (2) Executives. She is a member of Institute of Internal Auditors Malaysia and holds a Degree in Accounting. She has extensive knowledge and working experience in the internal audit field with exposure to various industries.

The co-sourced internal auditors, CGRM, has been engaged to provide internal audit services to the Group since October 2013. The CGRM team is led by six (6) professionals with qualifications in Certified Internal Auditor (CIA (USA)), Certified Risk Management Assessor (CRMA (USA)), Chartered Member of the Institute of Internal Auditors (CMIIA (USA)), Associate Member of the Association of International Accountants (AAIA (UK)), Bachelor (Hons) in Accounting, and backed by working experience in essential fields on Corporate Governance, Risk Management and Internal Audit.

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 the same 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 favorable 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.

During the financial year 2018, there were no RPTs or recurrent RPTs that triggered the disclosure threshold under the MMLR and requires approval by shareholders at general meeting. The transactions or any one-off transaction entered into between Hai-O Group and the related parties or may trigger the conflict of interest, carried out in the normal course of business, 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 Auditors (in-house and co-sourced) ("IA") maintain their impartiality, proficiency and due professional care when executing its plans and reports directly to the AC.

The Company has established an In-house Group IAD as well as co-sourced the IA 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 Group IAD and to enhance the internal audit function of the Group. CGRM has the required specialized skill set with a high degree of professionalism and is trained in many areas which would help to enhance the quality of internal audit practices of 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 RPTs and conflict of interest situation that may arise within the Company or the Group.

During the financial year 2018, the In-house Group IA reviewed and conducted seven (7) audits assignments and assessed the adequacy of the internal control systems on business operations including the management on Inventory & Warehouse, Purchasing & Creditors, Payroll Process & Promoter Expenses, Sales Commission & Bad debts, Cash and Bank & Fixed Assets and Sales & Debtors for the Wholesale and Manufacturing Divisions. The In-house IA also performed RPT review exercise twice a year. The independent IA firm, CGRM conducted four high level risk and control assessment review on the Sales Management, Advertising & Promotions in Hai-O Enterprise Berhad and Marketing, Advertising & Promotions, Branch and Stockist Operations in the MLM Division.

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. All IA audit reviews were reported to the AC on a quarterly basis.

The In-house Group IAD while maintaining its role to carry out audit activities 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 In-house Group IAD as well as CGRM.

The operational cost incurred for the internal audit function of the Group in respect of the financial year ended 30 April 2018 amounted to RM282,023.

The Board is pleased to present to the Shareholders the Corporate Governance ("CG") Overview Statement of the Company. This CG Overview Statement should be read in conjunction with the CG report, which is available on the Company's website at www.hai-o.com.my. The CG Report provides details on how the Company has applied each Practice as set out in the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 30 April 2018 and up to the date of this Report.

The Board recognises the importance of the MCCG and is committed towards achieving high standard of corporate governance practices, values and ethical business conducts. Corporate governance practices shall be the fundamental aspect in the Group's business dealings and culture.

The CG Overview Statement reports on how the Group has applied the 3 principles, its key focus areas and future priorities with references to the principles and practices of the MCCG, having considered the Group's structure, business environment and industry practices:

a) Board Leadership and Effectiveness;
b) Effective Audit and Risk Management; and
c) Integrity in Corporate Reporting and meaningful Relationship with Stakeholders.

The Board is satisfied that the practices set out in the MCCG have, in all material aspects, been applied to achieve their intended outcomes which are found to be suitable and appropriate to the Group as set out in this Statement and the CG Report. The departures and non-adoptions under the MCCG include the following:

- Practice 4.3 Step Up: Policy which limits the tenure of its independent directors to nine years.
- Practice 4.5: The Board discloses the Company's policies on gender diversity, its targets and measures to meet those targets.
- Practice 4.6: The Board utilises independent sources to identify suitably qualified candidates.
- Practice 7.2 & Practice 7.3 Step Up: The Board discloses on a named basis the top five (5) senior management's remuneration.
- Practice 12.3: Company with large number of shareholders or which have meetings in remote locations should leverage technology to facilitate voting in absentia and remote shareholders' participation at general meetings.

The explanation for the departures, the Company's intended actions and timeframe to address the departure are disclosed in the CG Report.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Part 1 - Board Responsibilities

Intended Outcome 1.0

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Intended Outcome 2.0

There is demarcation of responsibilities between the board, board committees and management; there is clarity in the authority of the board, its committees and individual directors.

The Board

The Board is collectively responsible for the proper stewardship of the Group's business in achieving the objectives and long-term goals of the Company. The functions, roles and responsibilities of the Board are set out in the Board's Charter.

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 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 a 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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

To ensure the effective discharge of its function and responsibilities, the Board delegates 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 are present at the Board Committees' meeting to provide additional insight on 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, taking into account the sustainability of the business of the Group with attention given to the environmental, economic and social aspects of the operations;
- 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 Relation's policy for the Company;
- Reviewing the adequacy and 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 expenditure;
- Assessing on an annual basis the effectiveness of the Board, Board Committees and individual Directors, including Senior Management;
- Reviewing the term of office and performance of the Board Committees and each of its members in accordance to their respective terms of office.

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 available due to retirement, resignation, death or disability and new business opportunities.

The Chairman

Mr. Tan Kai Hee is the Chairman of the Group who 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 to facilitate active discussion and participation by all Directors and ensuring that sufficient time is allocated to discuss all relevant issues at Board meetings.

Company Secretary

The Company Secretaries are members of the 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 the discharge of the Board's duties and responsibilities.

The Board Charter spells out the governance structure, authority and reserved matters for the Board whilst that for the respective Board Committees is spelt out in their respective terms of reference.

The Board Charter, Terms of Reference of Audit Committee, Nominating Committee and Remuneration Committee are available on the Company's website at www.hai-o.com.my under the Investor Relations section.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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 to allocate time for their attendance at such meetings.

Notice of meetings set 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 or clarification on the matters to be deliberated at Board meetings.

The Board meets at least once in every three (3) months. During the financial year ended 30 April 2018, the Board met five (5) times with an average attendance record of 95%. Senior Management staff were 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 2018 are set out on page 90 of this Annual Report.

The Chairman of the respective Board Committees, namely, Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and ESOS Committee are given time under a separate Agenda at each Board Meeting following their respective meetings to brief the Board on 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 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 key Senior Management or the Company Secretary for consideration of the Board at a Board meeting to be held.

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

Time Commitment and Protocols for accepting new directorship

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

The Board obtains this commitment from Directors at the time of appointment and this is assessed by the Nominating Committee annually. In any circumstances, the Directors must not hold more than five (5) directorships in public listed companies in accordance with the Main Market Listing Requirements of Bursa Securities ("MMLR").

Intended Outcome 3.0

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

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 the 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 is 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. The Internal Business Code is available on our internal portal which is accessible to all directors and employees.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Code of Ethics and Whistleblower Policy (continued)

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 the Company's website at www.hai-o.com.my.

Part II – Board Composition

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Our Board has ten (10) members, comprising three (3) Executive Directors and seven (7) Independent Non-Executive Directors. This complies with Paragraph 15.02 of the MMLR that requires at least one-third (1/3) of the Board to be Independent Directors as well as Practice 4.1 of the MCCG that requires at least half of the board to be independent directors. The independence composition of the Board is 70%, and 3 out of the 10 directors are women.

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. They play a significant role in providing unbiased and independent views, advice and decision while taking into account the interest of relevant stakeholders including minority shareholders of the Company.

Currently, there is no fixed-term limit for Independent Directors of the Company. The Board is aware of the good practice that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years 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 the 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 Director 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 their tenure of service. Their long service should not affect their independence as they are independent minded and can continue to provide the necessary check and balance in the best interest of the Company. If the Independent Director(s) who have served more than nine years is/are able to contribute their expertise and skills towards the Company to attain greater heights, he/she should remain as Independent Non-Executive Director(s) of the Company as the intended outcome is achieved as they are able to make objective decision in the best interest of the Group taking into account the diverse perspectives and insights.

None of the Independent Non-Executive Directors have served for a cumulative term of nine (9) years except for Y. Bhg. Datin Sunita Mei-Lin Rajakumar for which the approval has been sought from the shareholders at the 42nd Annual General Meeting ("AGM") of the Company for her to retain office as an Independent Non-Executive Director. Y. Bhg. Datin Sunita's term of office as an Independent Non-Executive Director would expire at the conclusion of the forthcoming 43rd AGM scheduled to be held on 25 September 2018. Thereafter, she would be re-designated to Non-Independent Non-Executive Director.

As an annual practice, all the Independent Non-Executive Directors have 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 newly appointed directors, Tan Beng Ling and Professor Hajjah Ruhanas Binti Harun have also declared their independency prior to their appointment to the Board.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Part II – Board Composition (continued)

The Board had assessed and concluded that all the Independent Non-Executive Directors of the Company, Chow Kee Kan @ Chow Tuck Kwan, Y. Bhg. Datin Sunita Mei-Lin Rajakumar, Tan Kim Siong, Soon Eng Sing, Chia Kuo Wui, Tan Beng Ling and Professor Hajjah Ruhanas Binti Harun have demonstrated independence in their conduct and behaviour which are essential indicators, and that each of them is independent of the Company's management and free from any business or other relationships which could interfere with the exercise of their independent judgement or the ability to act in the best interest of the Company.

The positions of the Group Executive Chairman and Group Managing Director are held by different individuals. 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 the 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 decisions adopted by the Board as well as to oversee the overall business operations.

The Board's composition represents a mix of knowledge, skills and expertise relevant to the activities of the Group. A brief profile of each Director is presented on pages 9 to 13.

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, including the assessment on the effectiveness of the Board as a whole, the performance of each individual Director and the Board Committees, including the term of office and performance of the Audit Committee, Risk Management Committee, Remuneration 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 Independent Non-Executive Directors. The members are as follows: -

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

The Chairman of the Nominating Committee, Chow Kee Kan @ Chow Tuck Kwan was designated as Senior Independent Non-Executive Director on 1 August 2016. The role of the Senior Independent Non-Executive Director amongst others includes taking the lead of succession planning, recommending appointment of board and committee members, annual review of board effectiveness, and assessment of the performance of each individual Director. The Senior Independent Non-Executive Director is also the point of contact for shareholders to convey their concerns.

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

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 has 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 each individual Director;

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Nominating Committee (continued)

c) evaluated the performance and effectiveness of the Audit Committee, Remuneration Committee, Risk Management Committee and each of its members respectively;
d) identified the training needs of Directors for continuous education;
e) reviewed and assessed the criteria as set out in the MMLR in determining the re-designation of Chia Kuo Wui as Independent Non-Executive Director;
f) assessed and evaluated the suitability of the proposed candidates, namely Tan Beng Ling ("Ms. Tan") and Professor Hajjah Ruhanas Binti Harun ("Prof. Ruhanas") as Directors 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, their time commitment and other requisite requirements and recommended to the Board of Directors the appointment of Ms. Tan and Prof. Ruhanas as Directors;
g) assessed and recommended to the Board the re-election of the Directors who are due for retirement pursuant to Article 102(1) and Article 109 of the Company's Articles of Association to be tabled to the shareholders for approval at the forthcoming AGM.

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 and senior management. In addition, the Group believes that it is of utmost importance that the Board comprises 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.

Board Nomination and Election Process of Directors

The Nominating Committee is responsible to recommend candidates to the Board to fill vacancy arising from resignation, retirement or other reasons or if there is a need to appoint additional directors 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.

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. Furthermore, 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 the 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.

During the year, the Nominating Committee has recommended two (2) female candidates who fit the criteria requirements for appointment to the Board. The appointment of the two (2) new directors has taken into consideration the mix of knowledge, skills and expertise relevant to the activities of the Group, independence and boardroom diversity (gender, ethnicity and age diversity).

Although the Company has no policy on gender diversity, the Board has met the gender diversity of 30% women directors with the appointment of Ms. Tan and Prof. Ruhanas to the Board.

The Board is open to utilizing independent sources to identify suitably qualified candidates where necessary. For the newly appointed directors, Ms. Tan and Prof. Ruhanas, no other sources were used in identifying the additional directors as the newly appointed directors are very experienced in their respective fields and do not require further referrals or introduction from third party.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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.

The following are the training programmes, seminars, workshops and briefings attended by Directors during the financial year 2018: -

No.	Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES
1.	Directors Sustainability Reporting Briefing	√	√	√	√	√	√	√	√
2.	Sustainability – Workshop	√	√	√			√		
3.	Computer Internet Security		√	√					
4.	Commercial Contract/ Sales of Goods			√			√		
5.	Influential Public Speaking & Presentation Skills			√					
6.	Budget and GST Update			√			√		
7.	Bursa Advocacy Session on Corporate Disclosure			√					
8.	Implementation of Sustainability for PLC Companies in Line with Bursa Requirement – Annual Report 2017			√					
9.	Fintech: opportunity for the financial services industry in Malaysia					√			
10.	Risk and Reward: What Must Boards Know About A Sustainable FI Remuneration System for Senior Management and Material Risk Takers?					√			
11.	"Elevating The Standards of Malaysian Corporate Governance" (panelist)					√			
12.	FIDE Forum - Board Selection - Engagement with Potential Directors					√			
13.	2017 In-House Congress Kuala Lumpur - An Event for the Inhouse Community of Legal and Compliance Professionals					√			
14.	Efficient Inefficiency: Making Boards Effective in a Changing World by Professor Sampler					√			
15.	Audit Committee Conference 2018 - Internal Auditing in the Age of Disruption				√		√		
16.	SME Tea Talk- Cross Cultural Communication Skills for SME Leaders						√		
17.	Risk Management Programme - I am Ready to Manage Risks						√		
18.	Face+5 Accreditation								√
19.	20 by 2020: Gender Diversity on Singapore Boards – A Path to Action								√
20.	The Leadership Energy Summit Asia 2017 by ICLIF					√			

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Directors' Training (continued)

No.	Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES
21.	Leadership Mosaics of Malaysia by Human Capital Leadership Institute					√			
22.	Learning Leadership Development Forum by Harvard Business Publishing					√			
23.	2nd Securities Commission-FIDE Forum - Emerging Technologies in Capital Market - Leveraging Technology for Growth					√			
24.	CG Breakfast Series for Directors - Leading Changes in the Brain by ICLIF					√			
25.	Empowering Women Series Part 2 by ICLIF					√			
26.	BNM-FIDE Forum Dialogue - Managing Cyber Risks in Financial Institution					√			
27.	Audit Comm Institute (ACI) Breakfast Roundtable 2018 by KPMG					√			
28.	5th BNM-FIDE Forum Annual Dialogue with Deputy Governor of BNM					√			

Note:

(i) TKH (Tan Kai Hee), TKK (Tan Keng Kang), HVK (Hew Von Kin), KK Chow (Chow Kee Kan @ Chow Tuck Kwan), Datin Sunita (Y. Bhg. Datin Sunita Mei-Lin Rajakumar), CKW (Chia Kuo Wui), TKS (Tan Kim Siong), SES (Soon Eng Sing)
(ii) exclude Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat who retired at the AGM held on 25 September 2017

The newly appointed Directors, Ms. Tan, has completed the Mandatory Accreditation Programme (MAP) in July 2018 while Prof. Ruhanas is scheduled to complete the MAP in October 2018.

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

Intended Outcome 5.0

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Evaluation and Assessment

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, among others, for the annual assessment of individual Director include an assessment of their roles, duties, responsibilities, competency, expertise and contribution. For the Board and Board Committees, the criteria used include among others, 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 shareholders' value;
- Board's independence in the process of decision making;
- In the case of Independent Non-Executive Directors, the members' ability to discharge such responsibilities or functions as expected from Independent Non-Executive Directors and whether the member has any conflict of interest with the Company.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Evaluation and Assessment (continued)

In line with Practice 5.1 of the MCCG, the questionnaires on the annual assessment of the effectiveness of the Board and individual directors have also been revised to include an evaluation of their:

- willingness and ability to critically challenge and ask the right questions;
- character and integrity in dealing with potential conflict of interest situation, if any;
- commitment to serve the Company; and
- confidence to stand up for a point of view.

In respect of the assessment for the financial year ended 30 April 2018 which was internally facilitated together with the external Company Secretary, 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.

Part III – Remuneration

Intended Outcome 6.0

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long term objectives. Remuneration policies and decisions are made through a transparent and independent process.

Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Remuneration Committee

The Remuneration Committee is principally responsible for setting the policy framework and 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 the 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 while rewards are linked to the Company's and individual's performance which comprise of financial, non-financial and operational 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 commensurate with the seniority, experience, contribution, level of responsibilities and representation in Board Committees taken by a particular Non-Executive Director. The remuneration and benefits payable to the Non-Executive Directors would be tabled to the shareholders for approval at the forthcoming AGM.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

The Remuneration Committee was reconstituted on 16 April 2018. Presently, it comprises wholly of Non-Executive Directors, all of whom are Independent.

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

During the financial year ended 30 April 2018, the Remuneration Committee held two (2) 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 financial year ended 30 April 2018 are as follows:

Company	Directors' Fees (RM)	Salaries, Bonuses, Incentives (RM)	Other Emoluments[N1] (RM)	Benefits-In-Kind[N2] (RM)	Total (RM)
Executive Directors					
Tan Kai Hee	23,000	898,898	5,593	263,285	1,190,776
Tan Keng Kang	23,000	820,074	55,612	199,728	1,098,414
Hew Von Kin	23,000	772,898	96,268	143,280	1,035,446
Sub-Total	69,000	2,491,870	157,473	606,293	3,324,636
Non-Executive Directors					
Chow Kee Kan @ Chow Tuck Kwan	23,000	-	116,113	23,866	162,979
Y. Bhg. Datin Sunita Mei-Lin Rajakumar	23,000	-	104,440	23,866	151,306
Chia Kuo Wui	23,000	-	74,160	23,866	121,026
Soon Eng Sing	23,000	-	73,660	23,866	120,526
Tan Kim Siong	23,000	-	76,660	23,866	123,526
Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat#	-	-	155,947	-	155,947
Tan Beng Ling*	958	-	2,873	-	3,831
Professor Hajjah Ruhanas Binti Harun**	-	-	-	-	-
Sub-Total	115,958	-	603,853	119,330	839,141
Grand Total	184,958	2,491,870	761,326	725,623	4,163,777

N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.

N2 Benefits-in-kind comprised provision of company's motor vehicle, driver, benefits arising from ESOS allocation and others.

 # Non-Executive Director who retired at the AGM held on 25 September 2017.

** Non-Executive Director who was appointed during the financial year on 16 April 2018.*

*** Non-Executive Director who was appointed on 2 July 2018 (after the financial year ended 30 April 2018).*

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Directors' Remuneration (continued)

Group	Directors' Fees (RM)	Salaries, Bonuses, Incentives (RM)	Other Emoluments[N1] (RM)	Benefits-In-Kind[N2] (RM)	Total (RM)
Executive Directors					
Tan Kai Hee	40,000	1,875,938	6,778	263,285	2,186,001
Tan Keng Kang	53,000	1,274,490	138,356	199,728	1,665,574
Hew Von Kin	27,000	958,287	102,762	143,280	1,231,329
Sub-Total	120,000	4,108,715	247,896	606,293	5,082,904
Non-Executive Directors					
Chow Kee Kan @ Chow Tuck Kwan	23,000	-	116,113	23,866	162,979
Y. Bhg. Datin Sunita Mei-Lin Rajakumar	23,000	-	104,440	23,866	151,306
Chia Kuo Wui	28,000	-	74,160	23,866	126,026
Soon Eng Sing	23,000	-	73,660	23,866	120,526
Tan Kim Siong	23,000	-	76,660	23,866	123,526
Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat#	-	-	155,947	-	155,947
Tan Beng Ling*	958	-	2,873	-	3,831
Professor Hajjah Ruhanas Binti Harun**	-	-	-	-	-
Sub-Total	120,958	-	603,853	119,330	844,141
Grand Total	240,958	4,108,715	851,749	725,623	5,927,045

N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.
N2 Benefits-in-kind comprised provision of company's motor vehicle, driver, benefits arising from ESOS allocation and others.

 # Non-Executive Director who retired at the AGM held on 25 September 2017.
** Non-Executive Director who was appointed during the financial year on 16 April 2018.*
*** Non-Executive Director who was appointed on 2 July 2018 (after the financial year ended 30 April 2018).*

Saved as disclosed above, there were no other remuneration paid for services rendered by any Director to the Company and the Group for the financial year ended 30 April 2018.

The Directors who are shareholders of the Company had abstained from voting at the previous 42nd AGM and shall abstain from voting at the forthcoming 43rd AGM on Resolutions pertaining to their Directors' fees, benefits and re-election of Directors.

The remuneration of the Senior Management (excluding Group Executive Directors) in aggregate for the financial year ended 30 April 2018, is as follows: -

Group Level	Salaries, Bonuses, Incentives (RM)	Other Emoluments[N1] (RM)	Benefits-In-Kind[N2] (RM)	Total (RM)
Senior Management*	1,061,398	114,937	111,608	1,287,943

** Comprising 3 Senior Management Officers*
N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.
N2 Benefits-in-kind comprised provision of company's motor vehicle, benefits arising from ESOS allocation and others.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

Intended Outcome 8.0

There is an effective and independent Audit Committee. The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

The Audit Committee comprises 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 63 to 68 of this Annual Report.

The Chairman of the Audit Committee and the Chairman of the Board are held by different persons.

All members of the Audit Committee are financially literate as they keep themselves abreast with the latest developments in accounting and auditing standards and the impact to the Group through briefings by Management and external auditors.

Assessment of 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.

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 their audit of the Group's financial statements, the external auditors would highlight to the Audit Committeematters 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 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 assessment on the performance of the external auditors annually on the suitability and independence of the external auditors in 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 put in place a policy and revised its Terms of Reference to include a cooling-off period of at least two years before a former key audit partner could be appointed as a member of the Audit Committee to safeguard the independence of the audit of the financial statements.

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 their role as 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 exceptions.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

Assessment of suitability and independence of External Auditors (continued)

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 after considering the quantum of the fee, which was not material as compared with the total audit fee paid to the external auditors, has concluded and recommended to the Board 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 their compliance with relevant ethical requirements at the Audit Committee meeting. Having been satisfied with their 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 three (3) times at the Audit Committee meetings held on 28 June 2017, 21 July 2017 and 22 March 2018 during the financial year ended 30 April 2018. For each of the aforesaid three meetings, the Audit Committee had also allocated a discussion session with the External Auditors without the presence of the Executive Directors and Management.

Company's financial statements is a reliable source of information

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 announcements 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 Financial Reporting Standards in Malaysia and are reviewed by the Audit Committee prior to approval by the Board. The annual financial statements are subjected to audit by independent external auditors.

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, is also required 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 give a true and fair view of the state of the Company and of the Group as at the end of the reporting period. Accordingly, the Board has prepared the responsibility statements pursuant to the MMLR as outlined on page 84 of this Annual Report.

Part II – Risk Management and Internal Control

Intended Outcome 9.0

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Intended Outcome 10.0

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

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 and to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

Presently, the Risk Management Committee consists of five (5) members, three (3) of whom are Independent Non-Executive Directors.

Name	Directorship
Chairperson: Y. Bhg. Datin Sunita Mei-Lin Rajakumar	 Independent Non-Executive Director
Members: Tan Keng Kang Hew Von Kin Chia Kuo Wui Tan Beng Ling	 Group Managing Director Group Executive Director cum Chief Financial Officer Independent Non-Executive Director 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 across 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 (CGRM). Currently, the Head of Group Internal Audit is supported by two (2) internal audit executives. They are independent from the operational activities of the Group and they do not hold management authority and responsibility over the operations that internal audit covers in its scope of works.

The Head of Internal Audit, Ms. Wong Ngiik Moi was appointed in March 2016. She is a member of Institute of Internal Auditors Malaysia and holds a Degree in Accounting. She has extensive knowledge and working experience in the internal audit field with exposure to various industries.

The co-sourced internal auditors, CGRM, has been engaged to provide internal audit services to the Group since October 2013. The CGRM team is led by six (6) professionals with qualifications in Certified Internal Auditor (CIA (USA)), Certified Risk Management Assessor (CRMA (USA)), Chartered Member of the Institute of Internal Auditors (CMIIA (USA)), Associate Member of the Association of International Accountants (AAIA (UK)), Bachelor (Hons) in Accounting and backed by working experience in essential fields on Corporate Governance, Risk Management and Internal Audit.

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 C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I - Communication with stakeholders

Intended Outcome 11.0

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

Investor Relations

An Investor Relations Policy enables the Company to communicate effectively with its shareholders, prospective investors, fund managers, investment analysts and public generally with the intention of giving them a clear picture of the Group's performance and operations.

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 through Bursa Link, press releases, the Company's annual report and circular to shareholders, if applicable.

The Company periodically organises briefings and meetings with analysts and fund managers and also facilitates communications through tele-conference to give stakeholders a better understanding of the businesses and development of the Group. The corporate presentations and interim financial highlights are made available at the Company's website at www.hai-o.com.my.

To maintain a high level of transparency and to effectively address any issues or concerns, the Company maintains a dedicated electronic mail, ir@hai-o.com.my to which stakeholders can direct their queries for investor relations purpose.

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.

Leverage on Information Technology for effective dissemination of Information

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

Part II – Conduct of General Meetings

Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Annual General Meeting ("AGM")

The Board recognises the importance of keeping the shareholders, stakeholders and the general public informed with the Group's business, performance and corporate developments. The AGM remains the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed and the business operations of the Group.

The date of AGM of the Company is scheduled in September annually and the Directors are notified at the beginning of the calendar year of the scheduled meeting to ensure that all Directors are present to provide meaningful response to questions addressed to them. All the Directors, together with the Senior Management team, external auditors and internal auditors are present at general meeting(s) to answer queries from the shareholders who participate in the Question and Answer session. All Directors attended the 42nd AGM held on 25 September 2017.

General Meetings are currently convened in a specified venue in the city of Kuala Lumpur and resolutions put forth are voted by the members personally at the said venue. Electronic voting is adopted to ensure accurate recording of votes and all resolutions will be put to vote by poll.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

Annual General Meeting ("AGM") (continued)

The Notice of AGM will be served to the shareholders of the Company at least 28 days prior to the meeting.

A summary of the minutes of general meeting(s) including the question and answer session is made available to the shareholders at the Company's website at www.hai-o.com.my.

Key Focus Area for the reporting financial year and Future Priorities

The Board recognises the importance of the MCCG. During the year under review, the Board has reviewed the composition of the respective Board Committees and evaluated the gap that is required to meet the practices as recommended by the MCCG. The Remuneration Committee was hence reconstituted on 16 April 2018 to comprise exclusively Independent Non-Executive Directors.

The Board also recognises the importance of diversity in deliberations and decision-making and has escalated its efforts to establish a diverse Board with a variety of skills, competence, experience, age and gender. Although there is no policy adopted on gender diversity, the Company has appointed two (2) female directors to the Board in April 2018 and July 2018 respectively. Presently, the Board has 30% female representation.

On Practice 4.6 where the Board is recommended to utilise independent sources to identify suitable qualified candidates, the Board is open to use such facilities when necessary.

The establishment of Sustainability Governance Structure ("SGS") within the Group is also one of the key areas of focus during the financial year under review. The roles and responsibilities of the respective Committees under SGS are stated on page 42 of this Annual Report.

It is also the practice of the Company to seek annual approval of the shareholders to retain an independent director beyond 9-12 years. However, 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 Director after the respective Independent Director has served a cumulative term of nine (9) years.

The Company is consistently studying the infrastructure and facility required to leverage on technology to facilitate voting in absentia and remote shareholders' participation at General Meetings should there be a requirement by a reasonable large number of shareholders, as per recommended under Practice 12.3.

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 give 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 CG Overview Statement was made in accordance with a Resolution of the Board on 8 August 2018.

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 2018, 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 system is designed to continuously identify, assess and manage principal risks that may hinder the Group from achieving its strategic goals and business objectives efficiently, effectively and economically instead of eliminating 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.

Role and Responsibilities under the Risk Management Framework

Authority Level	Role and Responsibilities
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 ("AC") and Risk Management Committee ("RMC")	• 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 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 with respect to risk management and monitor 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.

Role and Responsibilities under the Risk Management Framework (continued)

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 changes as fast as possible to prevent and/or mitigate or minimise any damages to such functional areas.

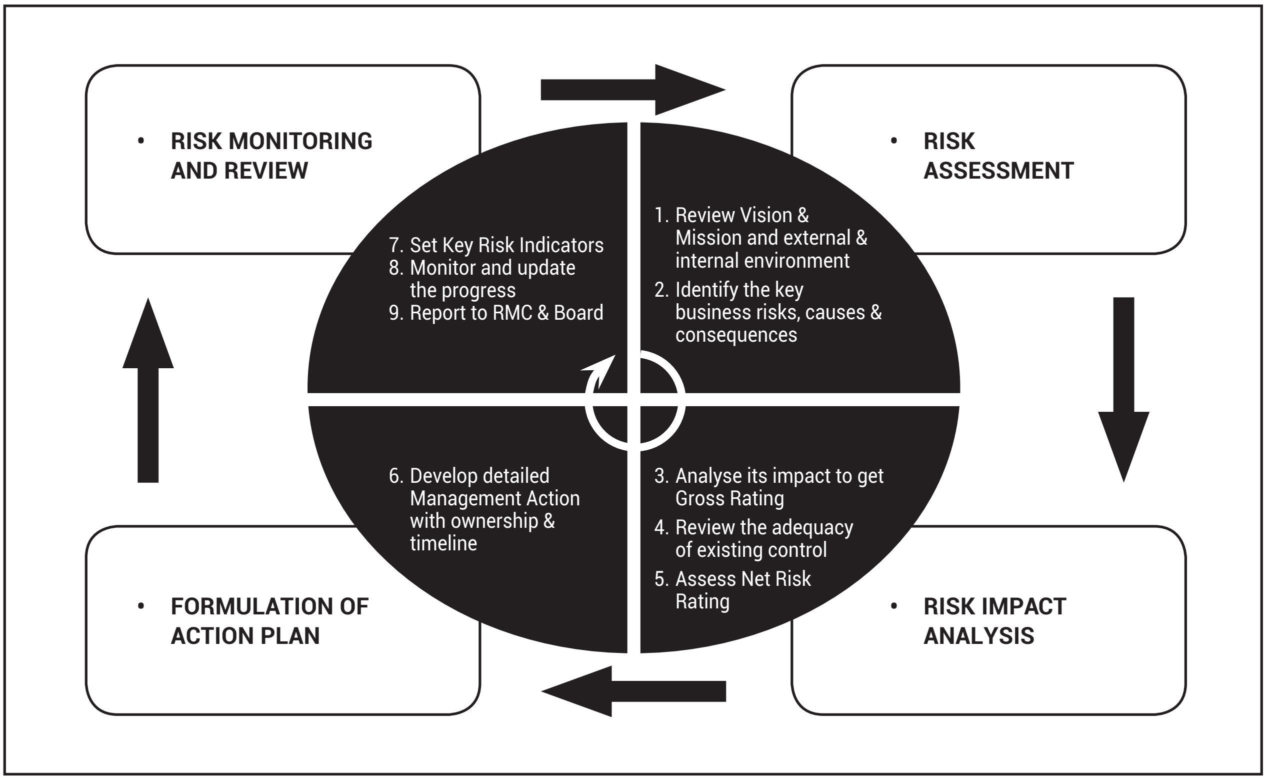
The RMC has five (5) members, chaired by an Independent Non-Executive Director and its members consists of the Group Managing Director, the Group Executive Director and two (2) other Independent Non-Executive Directors.

The ERC is 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 risk management through its ERM framework.

The RMC Chairperson may invite ERC members or any key risk owners to attend the RMC meeting(s), if required. The RMC has reviewed the risk registers and its status update; deliberated the key and new risks identified and kept track of management actions or measures taken or proposed to be taken within the stipulated timeline during RMC meetings held on May 2017 and October 2017. The Chairman of the RMC shall report and brief the Board under a separate agenda at 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 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 of four main phases, namely, Risk Assessment, Risk Impact Analysis, Formulation of Action Plan and Risk Monitoring and Review.

Risk Assessment

Risk assessments are conducted on each key business function, activity and process 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 its impact and probability of occurrence and is evaluated as low, medium or high. The level of residual risk is determined after identifying 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 will perform 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 of 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 levels, 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 equipment, 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.

Internal Audit Function

In addition to the In-house Group Internal Audit Department ("IAD"), the Group 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 Group IAD and CGRM are approved by the AC on an annual basis. The results of the audits and recommendations for improvement co-developed with Management are tabled at the AC meetings for discussion and subsequent assessment. Key and significant risk issues will be accelerated to the RMC for deliberation and subsequent monitoring of management actions.

The key risks issues are reported to the Board by the Chairperson of the AC who is also the Chairperson of the RMC for further deliberation. These include the risks on business sustainability, MLM genuine product differentiation, advertisement and promotion, sales and marketing strategies, retention and expansion of youth market, rules and regulatory compliances, and cyber security threats.

During the year under review, the In-house Group IAD together with the external professional internal audit and risk management service provider, CGRM, have performed high-level risk and control assessment review and risk impact analysis on several business operations in Wholesale, Multi-Level Marketing and Manufacturing divisions of the Group. The details of the audit scope and coverage are elaborated in the Audit Committee Report.

Furthermore, the In-house Group IAD has performed quarterly follow up reviews with the respective Heads of Business Unit for Wholesale, Multi-Level Marketing, Manufacturing and Retail divisions on the implementation status based on the audit recommendations made by the in-house Group IA as well as CGRM.

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 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 has 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 to ensure necessary actions have been taken to remedy significant weaknesses identified from 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 Audit and Assurance Practice Guide ("AAPG") 3, 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 2018, and reported to the Board that nothing has come to their attention that causes 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.

AAPG 3 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 2018.

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 2018 are as follows:

	The Company RM	The Group RM
Audit fees	101,000	344,100
Non-audit fees	15,000	15,000

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 31 to the Financial Statements.

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

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 issued shares 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).

A total of 2,200,000 ESOS options was offered to the eligible employees and directors of Hai-O and its subsidiaries on 3 July 2017 in accordance with the terms of the ESOS By-Laws, of which 2,189,000 options were duly accepted during the Offer Period. The ESOS options granted to the directors and senior management was 33.58% of the total ESOS options granted.

Date of offer	Exercise Price (RM)	No. of Options/ Shares			
		Granted	Exercised as at 30.04.2018	Forfeited as at 30.04.2018	Balance as at 30.04.2018
3 July 2017	RM3.63	2,189,000	(1,610,000)	(13,000)	566,000

The movement of the issued share capital of the Company during the financial year ended 30 April 2018 are as follows: -

	No. of Shares	RM
As at 1 May 2017	298,653,890	149,326,945
Ordinary shares issued pursuant to ESOS exercised	1,610,000	5,844,300
ESOS reserve capitalised during the year	not applicable	1,921,213
As at 30 April 2018	300,263,890	157,092,458

The number of ESOS options granted to the Directors are disclosed in page 94 of this Annual Report.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETING

There were five (5) Board of Directors' Meetings held during the financial year ended 30 April 2018. The details of attendance of the Directors are as follows:-

Name of Directors	Number of Board Meetings attended by Directors
Tan Kai Hee	5/5 meetings
Tan Keng Kang	5/5 meetings
Hew Von Kin	5/5 meetings
Chow Kee Kan @ Chow Tuck Kwan	5/5 meetings
Y. Bhg. Datin Sunita Mei-Lin Rajakumar	5/5 meetings
Chia Kuo Wui	5/5 meetings
Tan Kim Siong	5/5 meetings
Soon Eng Sing	5/5 meetings
Y. Bhg. Professor Datuk Dr. Choo Yeang Keat (retired on 25 September 2017)	1/3 meetings
Tan Beng Ling (appointed on 16 April 2018)	-
Professor Hajjah Ruhanas Binti Harun (appointed on 2 July 2018)	-

FAMILY RELATIONSHIP OF DIRECTORS AND/OR MAJOR SHAREHOLDERS

There is no family relationship among the Directors and/or major shareholders except that: -
- Mr. Tan Keng Kang and Madam. Tan Keng Song are the son and daughter of Mr. Tan Kai Hee.
- 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

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 2018.

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	72,254,329	62,074,179
Non-controlling interests	266,324	-
	72,520,653	62,074,179

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 2017 as reported in the Directors' Report of that year:

- a final dividend of 11 sen per ordinary share totalling RM31,982,929 declared on 25 September 2017 and paid on 22 November 2017.

ii) In respect of the financial year ended 30 April 2018:

- a first interim dividend of 6 sen per ordinary share totalling RM17,484,894 declared on 18 December 2017 and paid on 8 March 2018.
- a second interim dividend of 3 sen per ordinary share totalling RM8,727,945 declared on 23 March 2018 and paid on 13 June 2018.

The final dividend recommended by the Directors in respect of the financial year ended 30 April 2018 is 11 sen per ordinary share.

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
Chow Kee Kan @ Chow Tuck Kwan
Datin Sunita Mei-Lin Rajakumar
Chia Kuo Wui
Tan Kim Siong
Soon Eng Sing
Tan Beng Ling (appointed on 16 April 2018)
Prof Hajjah Ruhanas Binti Harun (appointed on 2 July 2018)
Prof Datuk Dr Choo Yeang Keat (retired on 25 September 2017)

DIRECTORS OF THE SUBSIDIARIES

The names of directors of subsidiaries are set out in their respective subsidiary's directors' report and the board deems such information is included in the holding company's directors' report by such reference and shall form part of the holding company's directors' report.

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 1.5.2017	**Bought**	**Transferred in**	**ESOS**	**Sold**	**Transferred out**	**At 30.4.2018**
Interests in the Company:							
Tan Kai Hee							
- direct	29,234,699	20,000	-	200,000	-	-	29,454,699
- indirect	24,455,708	-	13,984,863	160,000	(3,409,957)	(20,241,231)	14,949,383
Tan Keng Kang							
- direct	3,408,407	-	8,819,913	160,000	-	-	12,388,320
- indirect	50,282,000	20,000	5,164,950	200,000	(3,409,957)	(20,241,231)	32,015,762
Hew Von Kin							
- direct	301,152	-	-	100,000	-	-	401,152
Chow Kee Kan @ Chow Tuck Kwan							
- direct	-	-	-	20,000	-	-	20,000
Datin Sunita Mei-Lin Rajakumar							
- direct	50,454	-	-	20,000	-	-	70,454
- indirect	150,000	-	-	-	-	-	150,000
Chia Kuo Wui							
- direct	1,361,301	-	-	20,000	-	-	1,381,301

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	At 1.5.2017	Bought	Transferred in	ESOS	Sold	Transferred out	At 30.4.2018
				Number of ordinary shares			
Tan Kim Siong							
- direct	18,000	-	-	20,000	-	-	38,000
- indirect	7,500	-	-	-	-	-	7,500
Soon Eng Sing							
- direct	30,000	-	-	20,000	-	-	50,000
Deemed interests in the Company:							
Tan Kai Hee *	27,668,823	-	-	-	-	-	27,668,823
Tan Keng Kang *	27,668,823	-	-	-	-	-	27,668,823
Interests in a subsidiary, Hai-O Raya Bhd.:							
Tan Kai Hee							
- direct	34,000	-	-	-	-	-	34,000
- indirect	57,000	-	30,000	-	-	(40,000)	47,000
Tan Keng Kang							
- direct	6,000	-	10,000	-	-	-	16,000
- indirect	85,000	-	20,000	-	-	(40,000)	65,000
Hew Von Kin							
- direct	3,000	-	-	-	-	-	3,000

	At 1.5.2017	Bought	Bonus issue	Sold	At 30.4.2018
		Number of ordinary shares			
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.

	At 1.5.2017	Granted	Exercised	At 30.4.2018
	Number of options over ordinary shares			
Tan Kai Hee	-	200,000	(200,000)	-
Tan Keng Kang	-	160,000	(160,000)	-
Hew Von Kin	-	120,000	(100,000)	20,000
Chow Kee Kan @ Chow Tuck Kwan	-	20,000	(20,000)	-
Datin Sunita Mei-Lin Rajakumar	-	20,000	(20,000)	-
Chia Kuo Wui	-	20,000	(20,000)	-
Tan Kim Siong	-	20,000	(20,000)	-
Soon Eng Sing	-	20,000	(20,000)	-

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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 2018 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.

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, apart from the issue of the Employees' Share Option Scheme ("ESOS").

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company increased from 298,653,890 to 300,263,890 by way of issuance of 1,610,000 new ordinary shares pursuant to the share options exercised under the ESOS at exercise price of RM3.63 per ordinary share for cash.

During the financial year, the Company repurchased 666,100 (2017: 368,100) of its issued share capital from the open market for a total consideration of RM3,248,738 (2017: RM1,045,986). The average price paid for the shares repurchased was RM4.88 (2017: RM2.84) per share and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

During the financial year, the Company re-sold 634,000 treasury shares in the open market. The average resale price of the treasury shares was RM5.27 per share. The proceeds from the resale has been utilised for working capital purposes.

At 30 April 2018, the Company held 9,294,988 (2017: 9,262,888) of its own shares.

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

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year, apart from the issue of options pursuant to ESOS.

The shareholders of the Company had at its Extraordinary General Meeting held on 15 March 2017 approved the establishment of an ESOS of up to 15% of the total number of issued shares 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).

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

The salient features of the ESOS scheme are, *inter alia*, as follows:

i) Eligible employees are those who must be at least eighteen (18) years of age, employed on a full time basis by any company in the Group and must have been confirmed in service for a continuous period of one (1) year on the date of offer; or serving under an employment contract for a fixed duration of at least one (1) year in the Group and have been continuously in service for at least two (2) years in the group prior to the date of offer.

ii) Any Director of the Group shall be eligible to participate in the ESOS, if as at the date of offer, such Director has been appointed for at least one (1) year prior to the date of offer. An eligible Director who is non-executive Director in the Group shall not sell, transfer or assign the shares obtained through the exercise of the Options granted to him within one (1) year from the date of offer.

iii) The aggregate number of new shares that may be offered under the Options and allotted to an eligible person shall be:

a) at any one time when an offer is made, not more than ten per centum (10%) of the new shares available under the Scheme be allocated to any eligible person who, either singly or collectively through persons connected with the eligible person, holds twenty per centum (20%) or more in the total number of issued shares in the Company (excluding treasury shares, if any),

b) at any one time during the ESOS Period, not more than fifty per centum (50%) of the new shares available under the Scheme shall be allocated in aggregate to the Directors and Senior Management of the Group; and

c) the Directors and Senior Management of the Group do not participate in the deliberation or discussion of their own allocation of Options;

provided that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

iv) The Scheme shall be in force for a period of five (5) years from the first grant date and may be extended for a period of five (5) years after the expiration of the first five year period.

v) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer.

vi) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate or as determined by the Board of Directors.

vii) The option granted to eligible person will lapse when they are no longer in employment or in contract of service with the Group.

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

Date of offer	Exercise price	At 1.5.2017	Offered	Accepted	Exercised	Forfeited	At 30.4.2018
3 July 2017	RM3.63	-	2,200,000	2,189,000	(1,610,000)	(13,000)	566,000

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 RM3,000,000 and RM18,000 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.

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 2018 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 23,000 shares of RM2.70 each and 20,000 shares of RM2.80 each in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM62,100 and RM56,000 respectively. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 62.07% to 63.50%.

   The Group recognised a decrease in non-controlling interests of RM363,860 and an increase in retained earnings of RM245,760 in respect of the above transactions.

ii) During the financial year, the Company acquired additional 8,000 shares in Samariatan Sdn. Bhd. for a total cash consideration of RM48,000. These acquisitions increased the equity interest of the Company in Samariatan Sdn. Bhd. from 66.40% to 70.32%.

   The Group recognised a decrease in non-controlling interests of RM14,954 and a decrease in retained earnings of RM33,046 in respect of the above transactions.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 22 to the financial statements.

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

Tan Keng Kang
Director

Hew Von Kin
Director

Kuala Lumpur

Date: 8 August 2018

As at 30 April 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Assets					
Property, plant and equipment	3	83,343,586	73,671,607	31,656,464	30,814,359
Investment properties	4	55,949,690	48,306,101	45,860,994	43,787,421
Goodwill	5	84,930	84,930	-	-
Investments in subsidiaries	6	-	-	15,753,488	14,185,260
Investments in associates	7	-	-	-	-
Investment in a joint venture	8	2,166,139	2,160,456	760,000	760,000
Other investments	9	12,425	236,406	-	-
Trade and other receivables	10	1,622,828	294,492	-	-
Deferred tax assets	11	1,615,208	1,212,389	644,169	592,009
Total non-current assets		144,794,806	125,966,381	94,675,115	90,139,049
Inventories	12	91,184,218	71,707,149	39,606,953	33,611,318
Other investments	9	57,940,494	58,194,030	9,882,915	2,730,413
Trade and other receivables	10	30,239,138	27,644,387	39,167,352	30,989,152
Prepayments		2,852,166	3,654,648	502,182	2,195,580
Current tax assets		314,098	286,237	-	-
Cash and cash equivalents	13	68,674,442	76,848,186	7,794,221	12,964,850
Total current assets		251,204,556	238,334,637	96,953,623	82,491,313
Total assets		395,999,362	364,301,018	191,628,738	172,630,362
Equity					
Share capital		157,092,458	149,326,945	157,092,458	149,326,945
Treasury shares		(21,580,611)	(19,686,506)	(21,580,611)	(19,686,506)
Reserves		172,392,803	155,174,066	22,702,995	16,164,435
Equity attributable to owners of the Company	14	307,904,650	284,814,505	158,214,842	145,804,874
Non-controlling interests		11,018,740	11,354,430	-	-
Total equity		318,923,390	296,168,935	158,214,842	145,804,874
Liabilities					
Loans and borrowings	15	-	-	518,376	349,123
Deferred tax liabilities	11	399,806	208,133	-	-
Total non-current liabilities		399,806	208,133	518,376	349,123
Loans and borrowings	15	1,405,000	3,046,377	1,621,490	3,212,117
Trade and other payables	17	66,785,505	57,536,050	30,352,385	22,463,368
Current tax liabilities		5,237,521	5,693,083	921,645	800,880
Provisions	18	3,248,140	1,648,440	-	-
Total current liabilities		76,676,166	67,923,950	32,895,520	26,476,365
Total liabilities		77,075,972	68,132,083	33,413,896	26,825,488
Total equity and liabilities		395,999,362	364,301,018	191,628,738	172,630,362

The notes on pages 106 to 167 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 April 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	19	461,696,489	404,239,775	199,649,819	148,900,994
Cost of sales		(300,149,947)	(271,712,065)	(103,663,017)	(83,908,010)
Gross profit		161,546,542	132,527,710	95,986,802	64,992,984
Other income		13,599,719	13,174,050	3,361,243	1,526,337
Distribution expenses		(48,005,499)	(38,811,568)	(17,262,531)	(13,248,437)
Administrative expenses		(31,173,793)	(28,917,587)	(15,000,968)	(12,023,266)
Other expenses		(1,024,324)	(531,146)	(197,501)	(215,736)
Results from operating activities		94,942,645	77,441,459	66,887,045	41,031,882
Finance income	20	1,660,211	1,361,449	228,309	186,814
Finance costs	21	(117,384)	(134,985)	(161,318)	(163,100)
Net finance income		1,542,827	1,226,464	66,991	23,714
Share of loss of equity-accounted associates, net of tax		-	(399,145)	-	-
Share of profit of equity-accounted joint venture, net of tax		5,683	688	-	-
Profit before tax	22	96,491,155	78,269,466	66,954,036	41,055,596
Tax expense	23	(23,970,502)	(18,854,358)	(4,879,857)	(2,729,544)
Profit for the year		72,520,653	59,415,108	62,074,179	38,326,052
Other comprehensive income/(expense), net of tax					
Item that is or may be reclassified subsequent to profit or loss					
Foreign currency translation differences for foreign operations		287,313	(159,800)	-	-
Other comprehensive income/(expense) for the year, net of tax		287,313	(159,800)	-	-
Total comprehensive income for the year		72,807,966	59,255,308	62,074,179	38,326,052
Profit attributable to:					
Owners of the Company		72,254,329	59,475,449	62,074,179	38,326,052
Non-controlling interests		266,324	(60,341)	-	-
Profit for the year		72,520,653	59,415,108	62,074,179	38,326,052
Total comprehensive income attributable to:					
Owners of the Company		72,541,642	59,315,649	62,074,179	38,326,052
Non-controlling interests		266,324	(60,341)	-	-
Total comprehensive income for the year		72,807,966	59,255,308	62,074,179	38,326,052
Basic earnings per ordinary share (sen)	24	24.88	20.54		
Diluted earnings per ordinary share (sen)	24	24.86	20.54		

The notes on pages 106 to 167 are an integral part of these financial statements.

Group	Note	Share capital RM	Treasury shares RM	Translation reserve RM	Capital reserve RM	Share option 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	32.1	-	-	-	-	-	43,110	43,110	(64,710)	(21,600)
Subscription of shares by non-controlling interests in a subsidiary	32.2	-	-	-	-	-	-	-	100,000	100,000
Dividends to non-controlling interests of a subsidiary		-	-	-	-	-	-	-	(227,600)	(227,600)
Dividends to owners of the Company	25	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

For the Year Ended 30 April 2018

Group	Note	Attributable to owners of the Company								
		Non-distributable					Distributable			
		Share capital RM	Treasury shares RM	Translation reserve RM	Capital reserve RM	Share option reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 May 2017		149,326,945	(19,686,506)	(342,976)	657,192	-	154,859,850	284,814,505	11,354,430	296,168,935
Foreign currency translation differences for foreign operations		-	-	287,313	-	-	-	287,313	-	287,313
Total other comprehensive expense for the year		-	-	287,313	-	-	-	287,313	-	287,313
Profit for the year		-	-	-	-	-	72,254,329	72,254,329	266,324	72,520,653
Total comprehensive income for the year		-	-	287,313	-	-	72,254,329	72,541,642	266,324	72,807,966
Own shares acquired	14.4	-	(3,248,738)	-	-	-	-	(3,248,738)	-	(3,248,738)
Own shares sold	14.4	-	1,354,633	-	-	-	1,984,741	3,339,374	-	3,339,374
Acquisition of additional interests in a subsidiary from non-controlling interests	32.1	-	-	-	-	-	212,714	212,714	(378,814)	(166,100)
Share-based payment transactions		-	-	-	-	2,596,621	-	2,596,621	-	2,596,621
Share option exercised		7,765,513	-	-	-	(1,921,213)	-	5,844,300	-	5,844,300
Dividends to non-controlling interests of a subsidiary		-	-	-	-	-	-	-	(223,200)	(223,200)
Dividends to owners of the Company	25	-	-	-	-	-	(58,195,768)	(58,195,768)	-	(58,195,768)
Total transactions with owners of the Company		7,765,513	(1,894,105)	-	-	675,408	(55,998,313)	(49,451,497)	(602,014)	(50,053,511)
At 30 April 2018		157,092,458	(21,580,611)	(55,663)	657,192	675,408	171,115,866	307,904,650	11,018,740	318,923,390
						Note 14.5				

The notes on pages 106 to 167 are an integral part of these financial statements.

Company	Note	Non-distributable Share capital RM	Non-distributable Treasury shares RM	Non-distributable Capital reserve RM	Non-distributable Share option reserve RM	Distributable Retained earnings RM	Total equity RM
At 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	25	-	-	-	-	(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 2017/1 May 2017		149,326,945	(19,686,506)	210	-	16,164,225	145,804,874
Profit and total comprehensive income for the year		-	-	-	-	62,074,179	62,074,179
Own shares acquired	14.4	-	(3,248,738)	-	-	-	(3,248,738)
Own shares sold	14.4	-	1,354,633	-	-	1,984,741	3,339,374
Share-based payment transactions		-	-	-	2,596,621	-	2,596,621
Share option exercised		7,765,513	-	-	(1,921,213)	-	5,844,300
Dividends to owners of the Company	25	-	-	-	-	(58,195,768)	(58,195,768)
Total transactions with owners of the Company		7,765,513	(1,894,105)	-	675,408	(56,211,027)	(49,664,211)
At 30 April 2018		157,092,458	(21,580,611)	210	675,408	22,027,377	158,214,842
					Note 14.5		

The notes on pages 106 to 167 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended 30 April 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities				
Profit before tax	96,491,155	78,269,466	66,954,036	41,055,596
Adjustments for:				
Depreciation of investment properties	683,711	672,533	638,158	638,158
Depreciation of property, plant and equipment	3,357,809	2,969,823	1,111,967	1,057,311
Dividend income	(2,164,941)	(1,784,917)	(48,552,887)	(32,145,866)
Equity settled share-based payment transactions	2,596,621	-	1,194,493	-
Fair value gain on other investments	(109,593)	(198,887)	(9,224)	(9,732)
Finance costs	117,384	134,985	161,318	163,100
Finance income	(1,660,211)	(1,361,449)	(228,309)	(186,814)
Gain on disposal of other investments	(184,487)	(79,476)	(37,180)	(4,431)
Gain on disposal of property, plant and equipment	(1,297,033)	(117,416)	(1,288,376)	(113,559)
Loss on disposal of a subsidiary	-	1,089	-	11,096
Property, plant and equipment written off	82,437	70,644	60,270	-
Provision for sales campaign	7,600,000	3,900,000	-	-
Reversal of impairment loss on investment properties	(177,646)	-	-	-
Reversal of impairment loss on property, plant and equipment	(47,003)	-	-	-
Reversal of impairment loss on trade receivables	(71,335)	-	-	-
Share of loss of equity-accounted associates, net of tax	-	399,145	-	-
Share of profit of equity-accounted joint venture, net of tax	(5,683)	(688)	-	-
Unrealised foreign exchange loss/(gain)	369,234	(150,113)	39,354	(200,937)
Operating profit before working capital changes	105,580,419	82,724,739	20,043,620	10,263,922
Change in inventories	(19,477,069)	(3,741,153)	(5,995,635)	(2,363,236)
Change in trade and other receivables and prepayments	(3,247,140)	(6,215,991)	(2,443,924)	(3,930,517)
Change in trade and other payables	616,008	12,348,409	1,929,863	1,549,091
Cash generated from operations	83,472,218	85,116,004	13,533,924	5,519,260
Sales campaign paid	(6,000,300)	(4,328,949)	-	-
Tax paid	(24,794,625)	(16,630,009)	(4,811,252)	(2,651,193)
Tax refunded	129,554	5,362	-	-
Net cash from operating activities	52,806,847	64,162,408	8,722,672	2,868,067
Cash flows from investing activities				
Accretion of equity interest in a subsidiary	(166,100)	(21,600)	-	-
Acquisition of investment properties	(9,770,569)	-	(2,711,731)	-
Acquisition of other investments	(81,868,502)	(79,562,222)	(12,403,575)	(2,000,000)
Acquisition of property, plant and equipment	(12,279,701)	(10,110,157)	(2,373,928)	(726,175)
Dividends received	242,322	13,037	48,367,600	32,078,200
Increase in investments in subsidiaries	-	-	(166,100)	(21,600)
Interest received from fixed deposits and repo	1,660,211	1,361,449	228,309	186,814
Proceeds from disposal of a subsidiary	-	80,000	-	80,000
Proceeds from disposal of other investments	84,562,718	77,242,834	5,482,764	770,225
Proceeds from disposal of property, plant and equipment	2,116,103	146,753	2,097,962	130,382
Subscription of shares by non-controlling interests in a subsidiary	-	100,000	-	-
Net cash (used in)/from investing activities	(15,503,518)	(10,749,906)	38,521,301	30,497,846

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from financing activities				
Amount due from an associate	-	(104,653)	-	-
Dividends paid to non-controlling interests of a subsidiary	(223,200)	(227,600)	-	-
Dividends paid to owners of the Company	(49,467,823)	(30,872,123)	(49,467,823)	(30,872,123)
Net (repayment)/drawdown of bankers' acceptances	(1,641,377)	1,932,377	(1,641,377)	1,932,377
Increase in amount due to a joint venture	-	158	2,213	-
(Decrease)/Increase in amounts due to subsidiaries	-	-	(2,768,791)	535,914
Increase in amounts due from subsidiaries	-	-	(4,043,091)	(919,147)
Interest paid on loans and borrowings	(117,384)	(134,985)	(161,318)	(163,100)
Proceeds from issuance of shares	5,844,300	-	5,844,300	-
Proceeds from sale of treasury shares	3,339,374	-	3,339,374	-
Repayment of hire purchase liabilities due to a subsidiary	-	-	(229,997)	(241,085)
Repurchase of treasury shares	(3,248,738)	(1,045,986)	(3,248,738)	(1,045,986)
Net cash used in financing activities	(45,514,848)	(30,452,812)	(52,375,248)	(30,773,150)
Net (decrease)/increase in cash and cash equivalents	(8,211,519)	22,959,690	(5,131,275)	2,592,763
Effect of exchange rate fluctuations on cash held	37,775	176,927	(39,354)	162,725
Cash and cash equivalents at 1 May 2017/2016	76,848,186	53,711,569	12,964,850	10,209,362
Cash and cash equivalents at 30 April	68,674,442	76,848,186	7,794,221	12,964,850

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 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Deposit placed with licensed banks	13	45,178,872	55,647,418	4,175,237	9,688,011
Cash and bank balances	13	23,495,570	21,200,768	3,618,984	3,276,839
		68,674,442	76,848,186	7,794,221	12,964,850

Acquisition of property, plant and equipment

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM2,823,928 (2017: RM1,136,175), of which RM450,000 (2017: RM410,000) was acquired by means of hire purchases from a subsidiary.

The notes on pages 106 to 167 are an integral part of these financial statements.

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 2018 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 2018 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 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), 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 ("MASB") but have not been adopted by the Group and the Company:

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*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019
- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, J*oint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employment Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- MFRS 17, *Insurance Contracts*

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 applicable accounting standards, amendments and interpretations, where applicable: -

- 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,

- from the annual period beginning on 1 May 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019; and

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

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

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

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

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

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

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(i) MFRS 15, *Revenue from Contracts with Customers* (continued)

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

The Group and the Company have assessed that the initial application of MFRS 15 on its financial statements for the year ended 30 April 2018 will have no material impact on the net profit of the Group and of the Company. Presentation of the financial statements will be affected as there may be reclassification of affected items from expenses to revenue.

(ii) 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.

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

The Group and the Company do not expect that the application of the new classification requirement will have a material impact on accounting for its financial assets.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

The Group and the Company have assessed the initial application of MFRS 9 on its financial statements for the year ended 30 April 2018 and do not expect that the application of the forward-looking ECL model will have a material impact on accounting for its financial assets.

(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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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

1. BASIS OF PREPARATION (CONTINUED)

(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 26) 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 18 - provisions

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) Associates (continued)

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.

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.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) **Basis of consolidation (continued)**

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 (CONTINUED)

(c) Financial instruments (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (continued)

(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.

(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 determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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	Capital work-in-progress RM	Total RM
Cost												
At 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/ 1 May 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
Additions	766,667	2,630,000	1,060,013	701,033	2,453,653	629,597	2,289,853	-	-	1,414,385	334,500	12,279,701
Disposals	-	-	-	(568,150)	(3,142)	(949)	-	-	-	(809,585)	-	(1,381,826)
Written off / reclassification	-	-	-	-	(757,167)	(44,268)	(16,804)	-	-	-	-	(818,239)
Transfer from investment properties (Note 4)	-	1,393,231	227,684	-	-	-	-	-	-	-	-	1,620,915
Effect of movements in exchange rates	-	-	-	(12,645)	(55,932)	(2,601)	(30,111)	-	-	-	-	(101,289)
At 30 April 2018	35,143,418	6,694,680	29,172,246	3,085,726	14,454,576	2,784,457	11,171,423	2,362,596	247,449	4,007,361	334,500	109,458,432

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	Capital work-in-progress RM	Total RM
Depreciation and impairment loss												
At 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/ 1 May 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
Depreciation for the year	-	70,913	572,431	368,824	1,029,210	199,734	901,161	191,469	24,067	-	-	3,357,809
Disposals	-	-	-	(561,849)	(654)	(253)	-	-	-	-	-	(562,756)
Written off / reclassification	-	-	-	-	(686,352)	(36,884)	(12,566)	-	-	-	-	(735,802)
Reversal of impairment loss	-	-	(47,003)	-	-	-	-	-	-	-	-	(47,003)
Effect of movements in exchange rates	-	-	-	(12,645)	(51,152)	(2,009)	(19,159)	-	-	-	-	(84,965)
At 30 April 2018	-	264,318	6,988,259	2,008,489	8,922,455	1,144,530	4,535,400	2,092,472	158,923	-	-	26,114,846
Carrying amounts												
At 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/ 1 May 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
At 30 April 2018	35,143,418	6,430,362	22,183,987	1,077,237	5,532,121	1,639,927	6,636,023	270,124	88,526	4,007,361	334,500	83,343,586

3. **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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 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 2017/1 May 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
Additions	-	-	466,244	187,447	10,054	745,798	-	1,414,385	2,823,928
Disposals	-	-	(550,150)	-	-	-	-	(809,585)	(1,359,735)
Written off / reclassification	-	-	-	(539,704)	(20,000)	-	-	-	(559,704)
At 30 April 2018	17,028,856	9,641,378	2,228,194	2,802,159	64,884	5,107,032	50,500	3,971,361	40,894,364
Depreciation									
At 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 2017/1 May 2017	-	3,273,342	1,731,212	2,388,969	42,159	1,689,334	50,500	-	9,175,516
Depreciation for the year	-	192,828	283,147	179,805	5,866	450,321	-	-	1,111,967
Disposals	-	-	(550,149)	-	-	-	-	-	(550,149)
Written off / reclassification	-	-	-	(480,964)	(18,470)	-	-	-	(499,434)
At 30 April 2018	-	3,466,170	1,464,210	2,087,810	29,555	2,139,655	50,500	-	9,237,900
Carrying amounts									
At 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 2017/1 May 2017	17,028,856	6,368,036	580,888	765,447	32,671	2,671,900	-	3,366,561	30,814,359
At 30 April 2018	17,028,856	6,175,208	763,984	714,349	35,329	2,967,377	-	3,971,361	31,656,464

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Leased motor vehicles

At 30 April 2018, the net carrying amount of leased motor vehicles from a subsidiary of the Company was RM761,235 (2017: RM576,875).

3.2 Security

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

3.3 Reversal of impairment loss

The carrying amount of buildings of the Group at 30 April 2018 is after recognising reversal of impairment loss of RM47,003 (2017: RM47,003).

3.4 Leasehold land

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

	Group	
	2018 RM	2017 RM
Leasehold land with unexpired lease period of less than 50 years	443,300	457,491
Leasehold land with unexpired lease period of more than 50 years	5,987,062	2,020,553
	6,430,362	2,478,044

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.

4. INVESTMENT PROPERTIES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cost				
At 1 May 2017/2016	57,241,001	57,674,334	52,841,024	52,841,024
Additions	9,770,569	-	2,711,731	-
Offset of accumulated depreciation on properties transferred to property, plant and equipment	(29,308)	(156,000)	-	-
Transfer of carrying amount (Note 3)	(1,620,915)	(277,333)	-	-
At 30 April	65,361,347	57,241,001	55,552,755	52,841,024

4. INVESTMENT PROPERTIES (CONTINUED)

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Depreciation				
At 1 May 2017/2016	8,757,254	8,240,721	9,053,603	8,415,445
Depreciation for the year	683,711	672,533	638,158	638,158
Offset of accumulated depreciation on properties transferred to property, plant and equipment	(29,308)	(156,000)	-	-
At 30 April	9,411,657	8,757,254	9,691,761	9,053,603
Impairment loss				
At 1 May 2017/2016	177,646	177,646	-	-
Reversal of impairment loss	(177,646)	-	-	-
At 30 April	-	177,646	-	-

	Group RM	Company RM
Carrying amounts		
At 1 May 2016	49,255,967	44,425,579
At 30 April 2017/1 May 2017	48,306,101	43,787,421
At 30 April 2018	55,949,690	45,860,994

Included in the above are:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Freehold land	27,373,745	24,233,986	21,636,236	21,636,236
Leasehold land with unexpired period of less than 50 years	632,853	652,366	65,600	67,200
Leasehold land with unexpired period of more than 50 years	154,459	158,715	-	-
Buildings	27,788,633	23,261,034	24,159,158	22,083,985
	55,949,690	48,306,101	45,860,994	43,787,421

4. INVESTMENT PROPERTIES (CONTINUED)

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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Rental income	2,573,585	2,512,694	3,276,915	3,308,538
Direct operating expenses:				
- income generating investment properties	(927,567)	(662,812)	(827,111)	(601,717)
- non-income generating investment properties	(5,402)	(20,520)	(640)	(6,440)

Fair value information

Fair value of investment properties is categorised as follows:

	Group		Company	
	2018 RM	**2017 RM Restated**	**2018 RM**	**2017 RM Restated**
Level 3				
Freehold land	52,623,622	49,225,289	59,596,903	59,596,903
Leasehold land	3,397,900	3,397,900	345,000	345,000
Buildings	52,787,932	50,306,265	49,992,076	49,992,076
	108,809,454	102,929,454	109,933,979	109,933,979

Valuation process applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

5. GOODWILL

	Group	
	2018 RM	**2017 RM**
At 1 May/30 April	84,930	84,930

5. GOODWILL (CONTINUED)

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	
	2018 RM	**2017 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	
	2018 RM	**2017 RM**
Unquoted shares, at cost	19,198,660	19,032,560
Equity contribution in subsidiaries	1,976,240	574,112
Less: Impairment loss	(5,421,412)	(5,421,412)
	15,753,488	14,185,260

The movements of investments in subsidiaries are as follows:

	Company	
	2018 RM	**2017 RM**
At 1 May	14,185,260	14,254,756
Subscription of additional shares	166,100	21,600
Disposal of a subsidiary	-	(91,096)
Increase in equity contribution in subsidiaries	1,402,128	-
At 30 April	15,753,488	14,185,260

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
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
Sahajidah Hai-O Marketing (EM) Sdn. Bhd. * (formerly known as 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	63.50	62.07
Kinds Resource Sdn. Bhd.	Malaysia	Trading of Chinese herbs	100	100
Samariatan Sdn. Bhd. and its subsidiary: ***	Malaysia	Investment holding	70.32	66.40
Chop Aik Seng Sdn. Bhd.	Malaysia	Trading of tea and other beverages	70.32	66.40
Sea Gull Advertising Sdn. Bhd. ^	Malaysia	Advertising and printing services	100	100

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
SG Global Biotech Sdn. Bhd. and its subsidiary:	Malaysia	Manufacturing of pharmaceutical products and investment holding	100	100
QIS Research Laboratory Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products, 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	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 43,000 shares in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM118,100.

*** During the financial year, the Company acquired additional 8,000 shares in Samariatan Sdn. Bhd. for a total cash consideration of RM48,000.

\# The statutory financial year end of these subsidiaries was 31 December 2017 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.

^ During the financial year, the Company ceased its operation.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.1 Non-controlling interests in subsidiaries

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

2018	Hai-O Raya Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	36.50%		
Carrying amount of NCI	9,565,705	1,453,035	11,018,740
Profit/(Loss) allocated to NCI	379,351	(113,027)	266,324
Summarised financial information before intra-group elimination			
As at 30 April			
Non-current assets	11,777,309		
Current assets	23,898,836		
Non-current liabilities	(626,757)		
Current liabilities	(8,841,976)		
Net assets	26,207,412		
Year ended 30 April			
Revenue	41,490,481		
Profit for the year and total comprehensive income	1,039,318		
Cash flows from operating activities	2,262,703		
Cash flows from investing activities	(3,319,002)		
Cash flows from financing activities	(753,569)		
Net increase in cash and cash equivalents	(1,809,868)		
Dividends paid to NCI	223,200		

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.1 Non-controlling interests in subsidiaries (continued)

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)
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		

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.

7. INVESTMENTS IN ASSOCIATES

	Group 2018 RM	Group 2017 RM
Unquoted shares, at cost	901,420	901,420
Share of post-acquisition reserves	(901,420)	(901,420)
	-	-

Details of the associates are as follows:

Name of entity	Principal place of business	Nature of the relationship	Effective ownership interest and voting interest 2018 %	2017 %
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 RM106,671 (2017: RM171,524) in the current financial year and RM285,029 (2017: RM178,358) 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		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares, at cost	760,000	760,000	760,000	760,000
Share of post-acquisition reserves	1,406,139	1,400,456	-	-
Group's share of net assets	2,166,139	2,160,456	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.

8. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The following table summarises the financial information of PKT, as adjusted for any differences in accounting policies.

	Group 2018	Group 2017
Percentage of ownership interest	40%	40%
Percentage of voting interest	40%	40%
Summarised financial information		
As at 30 April		
Non-current assets	6,410,780	6,486,716
Current assets	1,583,871	1,816,472
Non-current liabilities	(2,091,730)	(2,272,247)
Current liabilities	(498,353)	(640,577)
Net assets	5,404,568	5,390,364
Year ended 30 April		
Profit for the year and total comprehensive income	14,204	1,720
Included in the total comprehensive income are:		
Revenue	2,892,394	3,049,516
Depreciation	(82,085)	(124,108)
Interest income	12,974	14,227
Interest expense	(100,118)	(106,915)
Tax expense	(41,958)	(21,190)
Group's share of results for the year ended 30 April		
Group's share of profit and total comprehensive income	5,683	688

9. OTHER INVESTMENTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current				
Financial assets at fair value through profit or loss:				
- quoted shares in Malaysia	505	224,486	-	-
Available-for-sale financial assets:				
- unquoted shares	11,920	11,920	-	-
	12,425	236,406	-	-
Current				
Financial assets at fair value through profit or loss:				
- unit trusts in Malaysia	57,940,494	58,194,030	9,882,915	2,730,413
	57,952,919	58,430,436	9,882,915	2,730,413
Representing items:				
At cost	11,920	11,920	-	-
At fair value	57,940,999	58,418,516	9,882,915	2,730,413
	57,952,919	58,430,436	9,882,915	2,730,413
Market value of quoted shares and unit trusts	57,940,999	58,418,516	9,882,915	2,730,413

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current					
Trade					
Hire purchase receivables	10.1	329,154	225,803	-	-
Loan receivables	10.2	1,293,674	103,951	-	-
Less: Individual impairment allowance		-	(35,262)	-	-
		1,293,674	68,689	-	-
		1,622,828	294,492	-	-

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current					
Trade					
Trade receivables		22,437,759	21,209,271	12,116,767	8,362,571
Hire purchase receivables	10.1	113,193	85,271	-	-
Loan receivables	10.2	451,321	102,442	-	-
Less: Individual impairment allowance		-	(36,073)	-	-
		451,321	66,369	-	-
Amounts due from subsidiaries	10.3	-	-	8,923,725	9,765,697
Amount due from a joint venture	10.3	259,030	219,907	6,374	8,587
		23,261,303	21,580,818	21,046,866	18,136,855
Non-trade					
Amount due from an associate	10.3	24,971	1,054,724	-	-
Amounts due from subsidiaries	10.3	-	-	19,042,581	14,157,518
Less: Individual impairment allowance		-	-	(1,700,417)	(1,700,417)
		-	-	17,342,164	12,457,101
Other receivables		5,249,668	3,737,775	42,328	199,578
Less: Individual impairment allowance		(27,759)	(27,958)	-	-
		5,221,909	3,709,817	42,328	199,578
Deposits		1,730,955	1,299,028	735,994	195,618
		6,977,835	6,063,569	18,120,486	12,852,297
		30,239,138	27,644,387	39,167,352	30,989,152
		31,861,966	27,938,879	39,167,352	30,989,152

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

10.1 Hire purchase receivables

Hire purchase receivables are receivable as follows:

	Group 2018 RM	Group 2017 RM
Less than one year	140,367	103,437
Between one and five years	365,878	247,349
More than five years	-	4,531
	506,245	355,317
Less: Unearned interest charges	(63,898)	(44,243)
	442,347	311,074
Carrying amount:		
Current	113,193	85,271
Non-current	329,154	225,803
	442,347	311,074

10.2 Loan receivables

Loan receivables are receivable as follows:

	Group 2018 RM	Group 2017 RM
Less than one year	451,321	102,442
Less: Individual impairment allowance	-	(36,073)
	451,321	66,369
Between one and five years	982,176	103,951
Less: Individual impairment allowance	-	(35,262)
	982,176	68,689
More than five years	311,498	-
Less: Individual impairment allowance	-	-
	311,498	-
	1,744,995	135,058
Carrying amount:		
Current	451,321	66,369
Non-current	1,293,674	68,689
	1,744,995	135,058

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

10.3 Related party balances

The trade balances due from subsidiaries and a joint venture are subject to negotiated 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	
Group	**2018 RM**	**2017 RM**	**2018 RM**	**2017 RM**	**2018 RM**	**2017 RM**
Property, plant and equipment	-	-	(2,110,887)	(1,567,996)	(2,110,887)	(1,567,996)
Provisions	3,284,338	2,989,581	-	-	3,284,338	2,989,581
Capital allowance carry-forwards	-	7,071	-	-	-	7,071
Reinvestment allowance carry-forwards	41,550	252,946	-	-	41,550	252,946
Tax loss carry-forwards	-	17,027	-	-	-	17,027
Other items	401	-	-	(694,373)	401	(694,373)
Tax assets/ (liabilities)	3,326,289	3,266,625	(2,110,887)	(2,262,369)	1,215,402	1,004,256
Set off of tax	(1,711,081)	(2,054,236)	1,711,081	2,054,236	-	-
Net tax assets/ (liabilities)	1,615,208	1,212,389	(399,806)	(208,133)	1,215,402	1,004,256
Company						
Property, plant and equipment	-	-	(826,724)	(575,075)	(826,724)	(575,075)
Provisions	1,457,609	1,215,309	-	-	1,457,609	1,215,309
Other items	13,284	-	-	(48,225)	13,284	(48,225)
Tax assets/ (liabilities)	1,470,893	1,215,309	(826,724)	(623,300)	644,169	592,009
Set off of tax	(826,724)	(623,300)	826,724	623,300	-	-
Net tax assets	644,169	592,009	-	-	644,169	592,009

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2018 RM	2017 RM
Property, plant and equipment	(37,000)	(34,000)
Capital allowance carry-forwards	215,000	199,000
Tax loss carry-forwards	5,824,000	5,269,000
	6,002,000	5,434,000

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 1.5.2016 RM	Recognised in profit or loss (Note 23) RM	At 30.4.2017/ 1.5.2017 RM	Recognised in profit or loss (Note 23) RM	At 30.4.2018 RM
Property, plant and equipment	(1,514,082)	(53,914)	(1,567,996)	(542,891)	(2,110,887)
Provisions	2,646,120	343,461	2,989,581	294,757	3,284,338
Capital allowance carry-forwards	-	7,071	7,071	(7,071)	-
Reinvestment allowance carry-forwards	591,093	(338,147)	252,946	(211,396)	41,550
Tax loss carry-forwards	24,272	(7,245)	17,027	(17,027)	-
Other items	(49,526)	(644,847)	(694,373)	694,774	401
	1,697,877	(693,621)	1,004,256	211,146	1,215,402
Company					
Property, plant and equipment	(685,694)	110,619	(575,075)	(251,649)	(826,724)
Provisions	1,444,692	(229,383)	1,215,309	242,300	1,457,609
Other items	(52,298)	4,073	(48,225)	61,509	13,284
	706,700	(114,691)	592,009	52,160	644,169

12. INVENTORIES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
At cost:				
Raw materials	1,346,380	1,502,569	-	-
Packaging materials	376,189	331,502	-	-
Finished goods and trading goods	81,609,331	60,925,831	33,629,752	26,196,015
Goods in transit	1,589,947	2,547,748	760,750	2,076,679
	84,921,847	65,307,650	34,390,502	28,272,694
At net realisable value:				
Finished goods and trading goods	6,262,371	6,399,499	5,216,451	5,338,624
	91,184,218	71,707,149	39,606,953	33,611,318
Recognised in profit or loss:				
Inventories recognised as cost of sales	143,959,910	130,708,894	103,302,915	83,517,899
Inventories written off	346,267	230,701	80,969	62,500

The write-off is included in cost of sales.

13. CASH AND CASH EQUIVALENTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Deposits placed with licensed banks	45,178,872	55,647,418	4,175,237	9,688,011
Cash and bank balances	23,495,570	21,200,768	3,618,984	3,276,839
	68,674,442	76,848,186	7,794,221	12,964,850

14. CAPITAL AND RESERVES

14.1 Share capital

	Group and Company Amount 2018 RM	Number of shares 2018	Amount 2017 RM	Number of shares 2017
Issued and fully paid:				
At 1 May	149,326,945	298,653,890	101,095,141	202,190,282
Bonus issue	-	-	48,231,804	96,463,608
Issue for cash under ESOS	7,765,513	1,610,000	-	-
At 30 April	157,092,458	300,263,890	149,326,945	298,653,890

14. CAPITAL AND RESERVES (CONTINUED)

14.1 Share capital (continued)

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 666,100 (2017: 368,100) of its issued share capital from the open market for a total consideration of RM3,248,738 (2017: RM1,045,986). The average price paid for the shares repurchased was RM4.88 (2017: RM2.84) per share and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

During the financial year, the Company re-sold 634,000 treasury shares in the open market. The average resale price of the treasury shares was RM5.27 per share. The proceeds from the resale has been utilised for working capital purposes.

Details of the resale of treasury shares were as follows:-

	Average resale price RM	Highest resale price RM	Lowest resale price RM	Number of treasury shares resold	Total consideration received RM
2017					
November	5.27	5.29	5.27	634,000	3,339,374

At 30 April 2018, the Company held 9,294,988 (2017: 9,262,888) of its own shares.

14.5 Share option reserve

The share option comprises the cumulative value of employee services received for the issue of share options. The share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings. Share option is disclosed in Note 16.

15. LOANS AND BORROWINGS

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current					
Hire purchase liabilities due to a subsidiary	15.1	-	-	518,376	349,123
Current					
Bankers' acceptances - unsecured		1,405,000	3,046,377	1,405,000	3,046,377
Hire purchase liabilities due to a subsidiary	15.1	-	-	216,490	165,740
		1,405,000	3,046,377	1,621,490	3,212,117
		1,405,000	3,046,377	2,139,866	3,561,240

15.1 Hire purchase liabilities due to a subsidiary

Hire purchase liabilities due to a subsidiary are payable by the Company as follows:

	Company 2018 RM	Company 2017 RM
Less than one year	257,708	193,791
Between one and five years	563,906	380,994
	821,614	574,785
Less: Future interest charges	(86,748)	(59,922)
	734,866	514,863
Carrying amount:		
Current	216,490	165,740
Non-current	518,376	349,123
	734,866	514,863

15.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1 May 2017 RM	Net changes from financing cash flows Drawdown RM	Net changes from financing cash flows Repayment RM	At 30 April 2018 RM
Bankers' acceptances	3,046,377	8,488,699	(10,130,076)	1,405,000
Total liabilities from financing activities	3,046,377	8,488,699	(10,130,076)	1,405,000
Company				
Bankers' acceptances	3,046,377	8,488,699	(10,130,076)	1,405,000
Hire purchase liabilities due to a subsidiary	514,863	450,000	(229,997)	734,866
Total liabilities from financing activities	3,561,240	8,938,699	(10,360,073)	2,139,866

15. LOANS AND BORROWINGS (CONTINUED)

15.2 Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

In accordance with the transitional provision of *Disclosure Initiatives* (Amendments to MFRS 107) for the reconciliation of movements of liabilities to cash flows arising from financing activities, comparative information is not required for preceding periods.

16. SHARE-BASED PAYMENT ARRANGEMENT

On 3 July 2017, the Group granted share options to eligible Directors and employees to subscribe for the ordinary shares in the Company under the Employee Share Option Scheme approved by the shareholders of the Company on 3 May 2017.

The fair value of share options granted, measured using a black-schole model, with the following inputs:

Grant date	Number of options	Vesting conditions	Options life
3 July 2017	2,189,000	None	5 years

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2018 RM	Number of options 2018
Outstanding at 1 May	-	-
Granted during the year	3.63	2,189,000
Forfeited during the year	3.63	(13,000)
Exercised during the year	3.63	(1,610,000)
Outstanding at 30 April	-	566,000

	Group and Company 2018
Fair value at grant date (RM)	1.19
Weighted average share price (RM)	4.01
Share price at grant date (RM)	4.19
Weighted volatility (weighted average volatility) (%)	62.92
Expected dividend (%)	4.72
Option life (expected weighted average life) (years)	5

Value of employee services received for the issue of share option

	Group 2018 RM	Company 2018 RM
Share option granted in 2018	2,596,621	1,194,493
Total expenses recognised as share-based payment	2,596,621	1,194,493

17. TRADE AND OTHER PAYABLES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade					
Trade payables		21,403,688	23,768,983	14,253,286	13,754,651
Amounts due to subsidiaries	17.1	-	-	428,119	1,481,831
		21,403,688	23,768,983	14,681,405	15,236,482
Non-trade					
Amounts due to subsidiaries	17.1	-	-	2,249,164	3,964,243
Amount due to a joint venture	17.1	-	158	-	-
Other payables		21,790,854	20,034,305	746,652	566,957
Deposits received		4,594,476	3,690,515	457,452	782,130
Accrued expenses		17,911,046	8,530,128	12,037,509	1,761,079
Goods and services tax payable	17.2	1,085,441	1,511,961	180,203	152,477
		45,381,817	33,767,067	15,670,980	7,226,886
		66,785,505	57,536,050	30,352,385	22,463,368

17.1 Related party balances

The trade balances due to subsidiaries are subject to negotiated trade terms.

The non-trade balances due to subsidiaries and a joint venture are unsecured, interest free and repayable on demand.

17.2 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:

2018	Gross amount RM	Balances that are set off RM	Net carrying amount RM
Group			
Goods and services tax claimable	197,870	(197,870)	-
Goods and services tax payable	(1,283,311)	197,870	(1,085,441)
Company			
Goods and services tax claimable	1,876,170	(1,876,170)	-
Goods and services tax payable	(2,056,373)	1,876,170	(180,203)

17. TRADE AND OTHER PAYABLES (CONTINUED)

17.2 Offsetting of financial assets and financial liabilities (continued)

2017	Gross amount RM	Balances that are set off RM	Net carrying amount RM
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)

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.

18. PROVISIONS

Group	Sales campaign RM	Goods return RM	Total RM
At 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 May 2017	1,248,440	400,000	1,648,440
Provisions made during the year	5,600,000	-	5,600,000
Under provision in prior year	2,000,000	-	2,000,000
Provisions used during the year	(6,000,300)	-	(6,000,300)
At 30 April 2018	2,848,140	400,000	3,248,140

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.

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.

19. REVENUE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Sale of goods	458,865,899	401,074,640	148,005,304	113,514,256
Services	380,384	715,114	-	-
Commissions	81,993	47,424	-	-
Hire purchase and finance lease income	24,796	24,841	-	-
Interest income	42,229	128,804	-	-
Dividends	50,906	13,017	48,367,600	32,078,200
Rental income from investment properties	2,250,282	2,235,935	3,276,915	3,308,538
	461,696,489	404,239,775	199,649,819	148,900,994

20. FINANCE INCOME

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Interest income of financial assets that are not at fair value through profit or loss:				
- fixed deposits and short term deposits	1,660,211	1,361,449	228,309	186,814

21. FINANCE COSTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- bankers' acceptances	84,386	102,836	84,386	102,836
- hire purchase	-	-	51,925	40,125
	84,386	102,836	136,311	142,961
Other finance costs	32,998	32,149	25,007	20,139
	117,384	134,985	161,318	163,100

22. PROFIT BEFORE TAX

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
KPMG Malaysia	344,100	299,500	101,000	88,000
Other auditors	63,506	43,994	-	-
- Non-audit fees				
KPMG Malaysia	15,000	67,000	15,000	67,000
Bad debts written off	512	102,866	-	102,886
Depreciation of investment properties	683,711	672,533	638,158	638,158
Depreciation of property, plant and equipment	3,357,809	2,969,823	1,111,967	1,057,311
Impairment loss on:				
- trade receivables	-	71,335	-	-
Loss on disposal of a subsidiary	-	1,089	-	11,096
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	3,134,334	2,773,643	1,000,856	902,733
- Wages, salaries and others	28,346,004	30,603,169	8,176,820	8,701,184
- Share-based payment transaction	2,596,621	-	1,194,493	-
Property, plant and equipment written off	82,437	70,644	60,270	-
Provision for sales campaign	5,600,000	3,900,000	-	-
Provision for sales campaign – under provision in prior year	2,000,000	-	-	-
Rental expense on properties	2,546,395	2,676,465	13,160	11,420
Unrealised foreign exchange loss	369,234	-	39,354	-
and after crediting:				
Dividend income from:				
- shares quoted in Malaysia	6,750	13,037	-	-
- unquoted shares	4,500	-	-	-
- subsidiaries (unquoted shares)	-	-	48,367,600	32,078,200
- unit trusts	2,153,691	1,771,880	185,287	67,666
Fair value gain on other investments	109,593	198,887	9,224	9,732
Gain on disposal of other investments	182,558	79,476	37,180	4,431
Gain on disposal of property, plant and equipment	1,297,033	117,416	1,288,376	113,559
Management fees receivable from:				
- subsidiaries	-	-	1,111,500	510,000
- others	40,200	45,600	-	-
Realised foreign exchange gain	584,103	574,603	336,817	373,421
Rental income from:				
- investment properties	2,573,585	2,512,694	3,276,915	3,308,538
- others	46,926	24,174	-	-
Reversal of impairment loss on:				
- trade receivables	-	1,633	-	-
- other receivables	71,335	800	-	-
- property, plant and equipment	47,003	-	-	-
- investment properties	177,646	-	-	-
Unrealised foreign exchange gain	-	150,113	-	200,937

23. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense				
Current year	23,541,234	18,245,914	4,836,834	2,616,062
Prior year	640,414	(85,177)	95,183	(1,209)
Total current tax recognised in profit or loss	24,181,648	18,160,737	4,932,017	2,614,853
Deferred tax expense				
Origination and reversal of temporary differences	717,196	680,838	(207,894)	18,317
(Over)/Under provision in prior year	(928,342)	12,783	155,734	96,374
Total deferred tax recognised in profit or loss (Note 11)	(211,146)	693,621	(52,160)	114,691
Total income tax expense	23,970,502	18,854,358	4,879,857	2,729,544

Reconciliation of tax expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	96,491,155	78,269,466	66,954,036	41,055,596
Income tax calculated using Malaysian tax rate of 24%	23,157,877	18,784,672	16,068,969	9,853,343
Effect of reduction in income tax rate #	(574,204)	(1,099,082)	(424,324)	-
Non-deductible expenses	2,097,639	1,450,895	634,534	494,636
Tax exempt income	(559,202)	(155,733)	(11,650,239)	(7,713,600)
Effect of deferred tax assets not recognised	136,320	(54,000)	-	-
(Over)/Under provision in prior years	(287,928)	(72,394)	250,917	95,165
	23,970,502	18,854,358	4,879,857	2,729,544

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.

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 April 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018 RM	2017 RM
Profit attributable to ordinary shareholders	72,254,329	59,475,449

24. EARNINGS PER ORDINARY SHARE (CONTINUED)

Weighted average number of ordinary shares

	Group	
	2018	2017
Issued ordinary shares at 1 May 2017/2016	298,653,890	202,190,282
Effect of bonus issue	-	96,504,988
Effect of treasury shares held	(9,090,363)	(9,180,305)
Effect of ESOS issue	813,545	-
Weighted average number of ordinary shares at 30 April	290,377,072	289,514,965
Basic earnings per ordinary share (sen)	24.88	20.54

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 30 April 2018 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2018	2017
Weighted average number of ordinary shares at 30 April (basic)	290,377,072	289,514,965
Effect of share options on issue	305,913	-
Weighted average number of ordinary shares at 30 April (diluted)	290,682,985	289,514,965
Diluted earnings per ordinary share (sen)	24.86	20.54

25. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM	Date of payment
2018			
Final 2017 ordinary	11	31,982,929	22 November 2017
First Interim 2018 ordinary	6	17,484,894	8 March 2018
Second Interim 2018 ordinary	3	8,727,945	13 June 2018
		58,195,768	
2017			
Final 2016 ordinary	11	21,225,753	23 November 2016
Interim 2017 ordinary	5	9,646,370	9 March 2017
		30,872,123	

After the end of the reporting period, the final dividend recommended by the Directors in respect of the financial year ended 30 April 2018 is 11 sen per ordinary share. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

26. 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 2018 and 2017.

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.

26. OPERATING SEGMENTS (CONTINUED)

Group	Wholesale RM'000	Multi-level marketing RM'000	Retail RM'000	Other non-reportable segments RM'000	Total RM'000
2018					
Segment profit	68,646	70,253	1,512	4,896	145,307
Included in the measure of segment profit are:					
Revenue from external customers	63,654	352,545	41,478	4,019	461,696
Inter-segment revenue	175,082	259	12	15,505	190,858
Depreciation	(659)	(1,151)	(663)	(1,568)	(4,041)
Not included in the measure of segment profit but provided to CODM:					
Tax expense	(5,944)	(16,943)	(473)	(611)	(23,971)
Segment assets	171,420	154,672	34,768	35,139	395,999
Included in the measure of segment assets is:					
Additions to non-current assets other than financial instruments and deferred tax assets	5,593	4,017	7,804	4,636	22,050
Segment liabilities	37,403	36,197	2,143	1,333	77,076
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

26. OPERATING SEGMENTS (CONTINUED)

Reconciliation of operating segments' profit or loss

	Group 2018 RM'000	Group 2017 RM'000
Profit or loss		
Total profit or loss for operating segments	145,307	110,428
Elimination of inter-segment profits	(48,815)	(32,159)
Tax expense	(23,971)	(18,854)
Consolidated profit for the year	72,521	59,415

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.

27. FINANCIAL INSTRUMENTS

27.1 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").

2018	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM	AFS RM
Financial assets				
Group				
Other investments	57,952,919	-	57,940,999	11,920
Trade and other receivables	31,861,966	31,861,966	-	-
Cash and cash equivalents	68,674,442	68,674,442	-	-
	158,489,327	100,536,408	57,940,999	11,920
Company				
Other investments	9,882,915	-	9,882,915	-
Trade and other receivables	39,167,352	39,167,352	-	-
Cash and cash equivalents	7,794,221	7,794,221	-	-
	56,844,488	46,961,573	9,882,915	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM	AFS RM
2018				
Financial liabilities				
Group				
Loans and borrowings	(1,405,000)	(1,405,000)	-	-
Trade and other payables	(66,785,505)	(66,785,505)	-	-
	(68,190,505)	(68,190,505)	-	-
Company				
Loans and borrowings	(2,139,866)	(2,139,866)	-	-
Trade and other payables	(30,352,385)	(30,352,385)	-	-
	(32,492,251)	(32,492,251)	-	-
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)	-	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.2 Net gains arising from financial instruments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Net gains on:				
Fair value through profit or loss:				
- Held for trading	2,457,092	2,063,280	231,691	81,829
Loans and receivables	1,559,250	1,442,818	302,846	246,653
Financial liabilities measured at amortised cost	336,294	490,239	61,608	248,533
	4,352,636	3,996,337	596,145	577,015

27.3 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

27.4 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.

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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 Credit risk (continued)

Receivables (continued)

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:

	Gross RM	Individual impairment RM	Net RM
Group			
2018			
Not past due	21,627,072	-	21,627,072
Past due 1 - 30 days	1,842,354	-	1,842,354
Past due 31 - 60 days	317,620	-	317,620
Past due more than 60 days	1,097,085	-	1,097,085
	24,884,131	-	24,884,131
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
Company			
2018			
Not past due	18,128,572	-	18,128,572
Past due 1 - 30 days	1,351,456	-	1,351,456
Past due 31 - 60 days	229,420	-	229,420
Past due more than 60 days	1,337,418	-	1,337,418
	21,046,866	-	21,046,866
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

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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 May 2017/2016	71,335	1,633	-	-
Impairment loss recognised	-	71,335	-	-
Reversal of impairment loss	(71,335)	(1,633)	-	-
At 30 April	-	71,335	-	-

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.

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 and advances 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 (2017: 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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.5 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.

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							
2018							
Non-derivative financial liabilities							
Bankers' acceptances - unsecured	1,405,000	4.27%	1,405,000	1,405,000	-	-	-
Trade and other payables	66,785,505	-	66,785,505	66,785,505	-	-	-
	68,190,505		68,190,505	68,190,505	-	-	-
Company							
2018							
Non-derivative financial liabilities							
Bankers' acceptances - unsecured	1,405,000	4.27%	1,405,000	1,405,000	-	-	-
Hire purchase liabilities due to a subsidiary	734,866	3.25% - 4.50%	821,614	257,708	228,891	335,015	-
Trade and other payables	30,352,385	-	30,352,385	30,352,385	-	-	-
	32,492,251		32,578,999	32,015,093	228,891	335,015	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.5 Liquidity risk (continued)

Maturity analysis (continued)

	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	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 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.

27.6.1 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"), Taiwan New Dollar ("TWD"), Euro ("EUR"), Pound Sterling ("GBP") and Australian Dollar ("AUD").

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 RM**	**Cash and cash equivalents RM**	**Trade and other payables RM**
Group			
2018			
Chinese Renminbi	65,900	3,528,699	(1,085,886)
Hong Kong Dollar	-	-	(6,215)
U.S. Dollar	258,399	5,843,154	(3,151,160)
Singapore Dollar	1,012,791	328,034	-
Taiwan New Dollar	-	-	(250)
Euro	-	-	(86,511)
Pound Sterling	-	-	(260,405)
Australian Dollar	-	-	(46,128)
Net exposure	1,337,090	9,699,887	(4,636,555)
Company			
2018			
Chinese Renminbi	65,900	3,528,699	(849,525)
U.S. Dollar	239,018	1,519,517	(346,337)
Singapore Dollar	1,012,791	278,000	-
Pound Sterling	-	-	(166,932)
Net exposure	1,317,709	5,326,216	(1,362,794)

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

Balances recognised in the statement of financial position	Trade and other receivables RM	Cash and cash equivalents RM	Trade and other payables RM
Group			
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)

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% (2017: 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.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
RMB	95,331	129,985	104,313	115,307
USD	112,115	174,958	53,664	34,281
SGD	50,951	40,899	49,050	38,880

A 5% (2017: 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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.2 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed rate instruments				
Financial assets	47,366,211	56,093,550	3,618,984	9,688,011
Financial liabilities	(1,405,000)	(3,046,377)	(2,139,866)	(3,561,240)
	45,961,211	53,047,173	1,479,118	6,126,771

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.

27.6.3 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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.7 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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
Group										
2018										
Financial assets										
Quoted shares	505	-	-	505	-	-	-	-	505	505
Unit trusts	-	57,940,494	-	57,940,494	-	-	-	-	57,940,494	57,940,494
	505	57,940,494	-	57,940,999	-	-	-	-	57,940,999	57,940,999
Company										
2018										
Financial assets										
Unit trusts	-	9,882,915	-	9,882,915	-	-	-	-	9,882,915	9,882,915
	-	9,882,915	-	9,882,915	-	-	-	-	9,882,915	9,882,915
Group										
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

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.7 Fair value information (continued)

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 Level 2 fair values during the financial year (2017: no transfer in either direction).

28. 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.

29. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2018	**2017**
	RM	**RM**
Less than one year	1,599,486	2,096,132
Between one and five years	1,269,993	940,035
	2,869,479	3,036,167

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.

29. OPERATING LEASES (CONTINUED)

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Less than one year	1,553,699	1,901,171	1,229,622	1,778,028
Between one and five years	491,700	1,531,679	513,600	1,531,472
More than five years	-	8,800	-	8,800
	2,045,399	3,441,650	1,743,222	3,318,300

30. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Capital expenditure commitments				
Property, plant and equipment				
Approved, contracted but not provided for	5,663,339	87,452	1,147,769	-
	5,663,339	87,452	1,147,769	-

31. 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.

31. RELATED PARTIES (CONTINUED)

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 17.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
A. Subsidiaries				
Sale of goods	-	-	(105,148,800)	(80,707,999)
Purchase of goods	-	-	3,885,658	4,973,528
Dividend income	-	-	(48,367,600)	(32,078,200)
Interest expense on hire purchase	-	-	51,934	40,125
Management fees income	-	-	(1,111,500)	(510,000)
Rental income from properties	-	-	(1,166,995)	(1,175,003)
Advertising and promotion expense	-	-	8,963,062	5,893,453
Advertising expense	-	-	550,651	867,693
Purchase of motor vehicles under hire purchase	-	-	450,000	410,000
B. Joint venture				
Sale of goods	(740,714)	(690,428)	(19,847)	(21,322)
Rental income from properties	(335,784)	(289,872)	(335,784)	(289,872)
C. Key management personnel *				
Directors of the Company:				
- Fees	240,958	224,833	184,958	170,833
- Remuneration	4,960,464	4,104,861	3,253,197	2,316,612
- Share-based payment	668,248	-	668,248	-
	5,869,670	4,329,694	4,106,403	2,487,445
Directors of subsidiaries:				
- Fees	73,500	80,667	-	-
- Remuneration	784,635	937,822	-	-
- Share-based payment	62,052	-	-	-
	920,187	1,018,489	-	-
Total short term employee benefits	6,789,857	5,348,183	4,106,403	2,487,445

* Excludes Benefit-In-Kind

32. BUSINESS COMBINATIONS

2018

32.1 Acquisition of non-controlling interests

i) During the financial year, the Company acquired additional 23,000 shares of RM2.70 each and 20,000 shares of RM2.80 each in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM62,100 and RM56,000 respectively. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 62.07% to 63.50%.

   The Group recognised a decrease in non-controlling interests of RM363,860 and an increase in retained earnings of RM245,760 in respect of the above transactions.

ii) During the financial year, the Company acquired additional 8,000 shares of RM6.00 each in Samariatan Sdn. Bhd. for a total cash consideration of RM48,000. These acquisitions increased the equity interest of the Company in Samariatan Sdn. Bhd. from 66.40% to 70.32%.

   The Group recognised a decrease in non-controlling interests of RM14,954 and a decrease in retained earnings of RM33,046 in respect of the above transactions.

2017

32.2 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.

32.3 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%.

32.4 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.

33. COMPARATIVE FIGURES

Certain comparative figures of the Group and of the Company have been restated to conform to current year's presentation. The restatements do not have any material impact to the statement of profit or loss and other comprehensive income and statement of financial position.

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 99 to 167 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

Tan Keng Kang
Director

Hew Von Kin
Director

Kuala Lumpur

Date: 8 August 2018

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 99 to 167 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 above named Tan Keng Kang, NRIC: 760601-14-5689, at Kuala Lumpur in the Federal Territory on 8 August 2018.

Tan Keng Kang

Before me:
Rajeev Saigal A/L Ramlabaya Saigal (W 681)
Commissioner for Oaths
Kuala Lumpur, Malaysia

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 2018 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 99 to 167.

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 2018, 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 Accounting Period
Refer to Note 2(n)(i) - Significant accounting policy: Revenue and other income and Note 19 – Revenue; Note 26 – Operating segments.

The key audit matter

The Group's multi-level marketing segment is engaged in the business of direct selling of health food and beverages, healthcare products, wellness and beauty products. This segment is the largest revenue contributor on the statement of profit or loss and other comprehensive income, at RM352,545,305 for the financial year ended 30 April 2018.

The sales volume tends to be high towards the end of incentive trip promotion period should the promotion period ended coincide with the financial year. Revenue is being recognised when goods sold to members are being recorded in the system by the stockists. There is a risk that goods ordered by members were not delivered to them as at the end of the financial year, thereby causing revenue to be overstated.

KEY AUDIT MATTERS (CONTINUED)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We tested the 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.
- 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.

Valuation of inventories
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 RM91,184,218 and RM39,606,953 respectively, as at 30 April 2018.

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 prepared by management and tested the accuracy of the data compiled by management.
- 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 assessed and challenged the management on the sufficiency of allowance made for stocks.
- 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.

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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 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 2018

As at 19 July 2018

Number of Shares Issued	: 300,286,890 ordinary shares
Issued Share Capital	: RM157,175,948.00
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	939	25,078	0.01
100 - 1,000	1,660	905,515	0.31
1,001 - 10,000	4,998	20,663,137	7.10
10,001 - 100,000	1,755	47,964,936	16.49
100,001 - 14,543,244 (Less than 5% of issued shares*)	237	153,475,745	52.77
14,543,245 above (5% and above of issued shares*)	3	67,830,491	23.32
Total Shares Issued Excludes Treasury Shares	**9,592**	**290,864,902**	**100.00**

Note:

* Excluding a total of 9,421,988 Hai-O Enterprise Berhad's (Hai-O) shares bought back by Hai-O and retained as treasury shares as at 19 July 2018.

THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares	% of Shares
1. Tan Kai Hee	29,454,699	10.13
2. Akintan Sdn Bhd	22,827,113	7.85
3. Excellant Communication Sdn Bhd	15,548,679	5.35
4. Tan Keng Kang	12,388,320	4.26
5. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chia Kee Siong	9,719,172	3.34
6. Atlantis Marque Sdn Bhd	8,951,332	3.08
7. Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For AIA Bhd	5,634,700	1.94
8. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	5,487,100	1.89
9. Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 9)	5,027,900	1.73
10. Daritan Sdn Bhd	4,861,710	1.67
11. Chen Tam Chai	4,481,310	1.54
12. Key Development Sdn Berhad	3,750,000	1.29

As at 19 July 2018

THIRTY LARGEST SHAREHOLDERS (CONT'D)

Name	No. of Shares	% of Shares
13. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Chong Soon (E-KPG)	3,000,000	1.03
14. Tan Puah Khin @ Tan Puan Hee	2,730,021	0.94
15. Chin Chin Sing @ Tan Cheng Beng	2,482,943	0.85
16. Ong Geck Eng	2,193,146	0.75
17. Chong Foong Foong	2,022,921	0.70
18. Oon Teik Chye	1,999,350	0.69
19. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Yoke Fong	1,812,503	0.62
20. Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,717,600	0.59
21. Tan Keng Song	1,715,320	0.59
22. Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	1,694,100	0.58
23. Huang, Chin-Chueh	1,603,727	0.55
24. Kong Chew Fa	1,555,900	0.53
25. Milo McConaghy	1,536,000	0.53
26. Amy McConaghy	1,533,678	0.53
27. AMSEC Nominees (Tempatan) Sdn Bhd Nomura Asset Management Malaysia Sdn Bhd For Tenaga Nasional Berhad Retirement Benefit Trust Fund	1,396,000	0.48
28. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	1,380,000	0.47
29. Teoh Jun Seong	1,300,000	0.45
30. Soh Choo @ Soh Ai Choo	1,258,432	0.43
Total	**161,063,676**	**55.38**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(According to the Register of Substantial Shareholders as at 19 July 2018)

	Direct Holdings		Indirect Holdings	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
1. Tan Kai Hee	29,454,699	10.13	42,638,206 (note a)	14.66
2. Akintan Sdn Bhd	22,827,113	7.85	-	-
3. Excellant Communication Sdn Bhd	15,548,679	5.35	-	-
4. Tan Keng Kang	12,388,320	4.26	59,704,585 (note b)	20.53
5. Tan Keng Song	1,715,320	0.59	71,112,578 (note c)	24.45
6. Phan Van Denh	845,743	0.29	71,247,162 (note d)	24.50

DIRECTORS' SHAREHOLDINGS
(According to the Register of Directors' Shareholdings as at 19 July 2018)

	Direct Holdings		Indirect Holdings	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
1. Tan Kai Hee	29,454,699	10.13	42,638,206 (note a)	14.66
2. Tan Keng Kang	12,388,320	4.26	59,704,585 (note b)	20.53
3. Hew Von Kin	401,152	0.14	-	-
4. Chia Kuo Wui	1,381,301	0.47	-	-
5. Datin Sunita Mei-Lin Rajakumar	70,454	0.02	150,000 (note d)	0.05
6. Chow Kee Kan @ Chow Tuck Kwan	20,000	0.01	-	-
7. Tan Kim Siong	38,000	0.01	7,500 (note e)	0.003
8. Soon Eng Sing	50,000	0.02	-	-
9. Tan Beng Ling	-	-	-	-
10. Professor Hajjah Ruhanas Binti Harun	-	-	-	-

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 through the direct and indirect interest of his family members in Hai-O.
c) Deemed interested through the direct and indirect interest of her family members in Hai-O.
d) Deemed interested through the direct and indirect interest of her spouse.
e) Deemed interested through the direct and indirect interest of his spouse.

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 19 July 2018)

	Direct Holdings		Indirect Holdings	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
1. Tan Kai Hee	34,000	1.13	77,000 (note f)	2.57
2. Tan Keng Kang	16,000	0.53	95,000 (note g)	3.17
3. Hew Von Kin	3,000	0.10	-	-

f) Deemed interested by virtue of his interest in Daritan Sdn Bhd and through the direct and indirect interest of his family members in Hai-O Raya Bhd respectively.
g) Deemed interested through the direct and indirect interest of his family members in Hai-O Raya Bhd.

TOP 10 PROPERTIES

As at 30 April 2018

No.	Location	Description	Date of Acquisition	Land/Floor Area (sg.ft.)	Tenure	Existing Use	Age (year)	Date of Expiry	Net book value as at 30/04/2018 (RM)
1.	Lot 3202, 3203, 3204, 3205, 3206, 6724 and 44128 3 1/4 mile, Jalan Kapar 41400 Klang, Selangor	Industrial premises comprises of 8 buildings and some miscellaneous structures and other land improvements	21 Dec 2007	1,216,220	reehold	Office, warehouse & a portion being left as vacant land	Range from 14 to 49	-	43,242,343
2.	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	40	-	15,272,677
3.	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	8	-	13,450,214
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	35 & 21	-	9,167,676
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	4	-	9,101,916
6.	Geran 21337 - Lot 113, Geran 21338 - Lot 114, Geran 20431 - Lot 204, Geran 20432, Lot 205, Daerah Melaka Tengah Kawasan Bandar XX No. 53A & 53B Jalan Bendahara No. 48A, Jalan Bunga Raya No. 41A & 41B, Jalan Bendahara 75100 Melaka	5 contiguous units of 5 storey terraced shop houses/office and a single storey warehouse	10 August 2017	14,689	Freehold	Shoplot, warehouse & a portion is vacant	Range from 30 to 40	-	6,218,973
7.	PN 10263, Lot 39828, Mukim Kuala Lumpur, No. 19, 19-M, 19-1 & 19-2, Jalan 2/90, Taman Pertama 56100 Cheras, Kuala Lumpur	3 storey shop office (with mezzanine floor)	15 May 2017	1,539	Leasehold for 99 years	Shop	40	29 Sept 2077	3,169,361
8.	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	5	-	2,828,993
9.	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	23	20 Oct 2084	2,531,357
10.	Master title no. NT213206501, Unit No.5, Ground, First & Second Floor I-Plaza Commercial Centre, 89500 Penampang, Sabah	1 unit 3 storey shop office	28 Sep 2016	3,012	Leasehold for 99 years	Shop	3	31 Dec 2110	2,110,485

NOTICE IS HEREBY GIVEN that the 43rd 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 Tuesday, 25 September 2018 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 2018 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. Mr. Tan Keng Kang **Resolution 1**
    ii. Mr. Chia Kuo Wui **Resolution 2**
    iii. Mr. Soon Eng Sing **Resolution 3**

3. To re-elect the following Directors who are retiring pursuant to Article 109 of the Company's Articles of Association:-

    i. Ms. Tan Beng Ling **Resolution 4**
    ii. Professor Hajjah Ruhanas Binti Harun **Resolution 5**

4. i. To approve the payment of Directors' fees amounting to RM184,958 for the financial year ended 30 April 2018. **Resolution 6**

    ii. To approve the payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM1,000,000 from 26 September 2018 until the next Annual General Meeting of the Company. **Resolution 7**

5. To declare a final single tier dividend of 11 sen per ordinary share for the financial year ended 30 April 2018. **Resolution 8**

6. To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 9**

As Special Business:-

7. To consider and if thought fit, to pass the following ordinary resolutions:-

    i. To authorise the allotment and issuance of shares pursuant to Sections 75 and 76 of the Companies Act, 2016:- **Resolution 10**

    "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."

As Special Business:- (Cont'd)

ii. Proposed Share Buy-Back by the Company **Resolution 11**

"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 DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the 43rd Annual General Meeting to be held on 25 September 2018, a final single tier dividend of 11 sen per ordinary share in respect of the financial year ended 30 April 2018 will be paid on 22 November 2018. The entitlement date for the dividend payment is on 9 November 2018.

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 9 November 2018 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
24 August 2018

Notes:
1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 18 September 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 43rd 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.*

Explanatory Notes to Ordinary and Special Business

Item 1 of the Agenda

The Agenda No. 1 is meant for discussion only under Section 340(1)(a) of the Companies Act, 2016. Hence, item 1 of the Agenda is not put forward for voting.

Ordinary Resolution 7

The Directors' remuneration and benefits (excluding Directors' fees) comprises emoluments and other benefits payable to the Non-Executive Directors from 26 September 2018 until the next Annual General Meeting of the Company, as per the table below:

Description	Emoluments and other benefits
Monthly Fixed Allowance	Approximately RM50,000 in total
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

Explanatory Notes to Ordinary and Special Business (Cont'd)

Special Business Ordinary Resolution 10 – 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 43rd Annual General Meeting.

The proposed resolution is to seek members' approval to renew the mandate given by them at the 42nd 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 11 - 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 24 August 2018 accompanying the 2018 Annual Report.

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 43rd 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 43rd Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 43rd 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 at the 43rd 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:-
      - Mr. Tan Keng Kang
      - Mr. Chia Kuo Wui
      - Mr. Soon Eng Sing

   ii) The Directors who are appointed during the year, who are retiring pursuant to Article 109 of the Company's Articles of Association and seeking re-election, are:-
      - Ms. Tan Beng Ling
      - Professor Hajjah Ruhanas Binti Harun

   The details of the five (5) Directors seeking for re-election are set out in the Directors' profiles appearing on pages 9 to 13 of the Annual Report.

2) Details of attendance of Directors at Board Meetings held during the financial year ended 30 April 2018 are set out on page 90 of the Annual Report.

3) Place, Date and Time of the 43rd 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 2018 (Tuesday)
Time	:	11.30 a.m.

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

FORM OF PROXY

CDS Account No.	
No. of Shares Held	

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 **43rd 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 Tuesday, 25 September 2018 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 Mr. Tan Keng Kang as a Director.		
Resolution 2	Re-election of Mr. Chia Kuo Wui as a Director.		
Resolution 3	Re-election of Mr. Soon Eng Sing as a Director.		
Resolution 4	Re-election of Ms. Tan Beng Ling as a Director.		
Resolution 5	Re-election of Professor Hajjah Ruhanas Binti Harun as a Director.		
Resolution 6	Approval for the payment of Directors' fees for the financial year ended 30 April 2018.		
Resolution 7	Approval for the payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors from 26 September 2018 until the next Annual General Meeting of the Company.		
Resolution 8	Declaration of a final single tier dividend of 11 sen per ordinary share.		
Resolution 9	Re-appointment of Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 10	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
Resolution 11	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 18 September 2018 shall be entitled to attend, speak and vote at this 43rd 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.*

Please 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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Hai-O Enterprise Berhad
(22544-D)

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