



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

Unaudited Interim Financial Report
31 July 2017



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

Quarterly report on consolidated results for the financial period ended 31 July 2017
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 31 JULY 2017

	INDIVIDUAL PERIOD (1st quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/7/2017	31/7/2016	31/7/2017	31/7/2016
	RM'000	RM'000	RM'000	RM'000
Revenue	124,537	78,662	124,537	78,662
Cost of sales	(83,433)	(53,330)	(83,433)	(53,330)
Gross Profit	41,104	25,332	41,104	25,332
Other income	2,212	2,574	2,212	2,574
Depreciation	(958)	(878)	(958)	(878)
Administrative expenses	(9,794)	(7,439)	(9,794)	(7,439)
Selling & distribution expenses	(9,578)	(6,981)	(9,578)	(6,981)
Other expenses	(140)	(51)	(140)	(51)
Operating Profit	22,846	12,557	22,846	12,557
Interest income	320	229	320	229
Finance costs	(60)	(57)	(60)	(57)
Share of profit/(loss) of equity-accounted investee, net of tax	(1)	8	(1)	8
Share of loss of associate company	-	(142)	-	(142)
Profit before tax	23,105	12,595	23,105	12,595
Tax expenses	(5,511)	(3,147)	(5,511)	(3,147)
Profit after tax	17,594	9,448	17,594	9,448
Profit attributable to:				
Owner of the parent	17,866	9,744	17,866	9,744
Non-controlling interest	(272)	(296)	(272)	(296)
	17,594	9,448	17,594	9,448
Earnings Per Share attributable to equity holders of the parent				
- Basic	6.17	3.34	6.17	3.34
- Diluted	N.A.	N.A.	N.A.	N.A.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.



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

Quarterly report on consolidated results for the financial period ended 31 July 2017
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JULY 2017**

	INDIVIDUAL QUARTER (1st quarter)		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/7/2017	31/7/2016	31/7/2017	31/7/2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period	17,594	9,448	17,594	9,448
Other comprehensive income				
- Foreign currency translation differences for foreign operations	16	(11)	16	(11)
Total comprehensive Income for the period	17,610	9,437	17,610	9,437
Total comprehensive income attributable to:				
Owner of the parent	17,882	9,733	17,882	9,733
Non-controlling Interest	(272)	(296)	(272)	(296)
	17,610	9,437	17,610	9,437

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2017**

	AS AT CURRENT FINANCIAL PERIOD ENDED 31/7/2017 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2017 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	73,817	73,672
<i>Investment properties</i>	48,168	48,306
<i>Investment in jointly control entity</i>	2,159	2,160
<i>Investment in an associates</i>	-	-
<i>Other Investments</i>	254	236
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	392	295
<i>Deferred tax assets</i>	2,008	1,212
	126,883	125,966
Current Assets		
<i>Inventories</i>	78,584	71,707
<i>Trade and other receivables</i>	28,381	31,586
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	72,250	58,194
<i>Cash and Cash Equivalents</i>	82,133	76,848
	261,348	238,335
TOTAL ASSETS	388,231	364,301
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	149,327	149,327
<i>Treasury Shares</i>	(19,687)	(19,687)
<i>Other reserves</i>	2,927	314
<i>Retained earnings</i>	172,834	154,860
	305,401	284,814
Non-controlling interest	10,924	11,355
Total Equity	316,325	296,169
Non-current Liabilities		
<i>Borrowings</i>	-	-
<i>Deferred tax</i>	314	208
	314	208
Current Liabilities		
<i>Trade & other payables</i>	59,640	57,536
<i>Short term borrowings</i>	2,585	3,046
<i>Short-term provisions</i>	1,401	1,649
<i>Current tax payables</i>	7,966	5,693
	71,592	67,924
Total Liabilities	71,906	68,132
TOTAL EQUITY AND LIABILITIES	388,231	364,301
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.06	0.98

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JULY 2017**

	Attributable to Equity Holders of the Parent						Non-controlling interest	Total Equity
	Share Capital	Non distributable		Distributable		Total		
(RM'000)		Treasury shares (RM'000)	Exchange fluctuation reserve (RM'000)	Capital reserve (RM'000)	Retained Earnings (RM'000)		(RM'000)	(RM'000)
3 month ended 31 July 2017								
Balance as at 30 April 2017	149,327	(19,687)	(343)	657	154,860	284,814	11,355	296,169
Profit for the period	-	-	-	-	17,866	17,866	(272)	17,594
Other comprehensive income for the period	-	-	16	-	-	16	-	16
Total comprehensive income for the period	-	-	16	-	17,866	17,882	(272)	17,610
Employees ' share option reserve	-	-	-	2,597	-	2,597	-	2,597
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	108	108	(159)	(51)
Purchase of Company's own shares	-	-	-	-	-	-	-	-
Balance at end of financial period	149,327	(19,687)	(327)	3,254	172,834	305,401	10,924	316,325
3 month ended 31 July 2016								
Balance as at 30 April 2016	101,095	(18,641)	(183)	657	174,445	257,373	11,607	268,980
Profit for the period	-	-	-	-	9,744	9,744	(296)	9,448
Other comprehensive income for the period	-	-	(11)	-	-	(11)	-	(11)
Total comprehensive income for the period	-	-	(11)	-	9,744	9,733	(296)	9,437
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	43	43	(64)	(21)
Purchase of Company's own shares	-	(728)	-	-	-	(728)	-	(728)
Balance at end of financial period	101,095	(19,369)	(194)	657	184,232	266,421	11,247	277,668

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.



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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 JULY 2017**

	2017 3 month ended 31/7/2017 (RM '000)	2016 3 month ended 31/7/2016 (RM '000)
Profit before tax	23,105	12,595
Adjustment for :-		
Depreciation	958	878
Dividend income	(455)	(300)
Employees' share option expenses	2,597	-
Fair value (gain)/loss on other investments	(118)	(356)
Finance costs	60	57
Finance income	(320)	(229)
Gain on disposal of property, plant and equipment	(558)	(3)
Property, plant and equipment written off	2	32
Share of profit of equity-accounted investee, net of tax	1	(8)
Share of losses of Associated company	-	142
Provision for sales campaign	(248)	966
Realised foreign exchange differences	(137)	-
Unrealised foreign exchange differences	16	(251)
Operating profit before changes in working capital	24,903	13,523
Changes in working capital		
<i>Inventories</i>	(6,877)	(5,367)
<i>Receipts from customers</i>	2,975	4,951
<i>Net Change in other receivables</i>	(45)	(2,064)
<i>Payment to suppliers, contractors and employees</i>	919	(2,614)
<i>Net Change in other payables</i>	1,292	(3,760)
<i>Payment of income taxes</i>	(3,750)	(2,843)
	(5,486)	(11,697)
Net cash flows from operating activities	19,417	1,826
Investing Activities		
<i>Accretion of equity interests in subsidiaries</i>	(51)	(22)
<i>Acquisition of other investments</i>	(27,292)	(22,659)
<i>Purchase of property, plant and equipment</i>	(1,086)	(867)
<i>Proceeds from disposal of other investment</i>	13,336	22,559
<i>Proceeds from disposal of property, plant and equipment</i>	679	27
<i>Dividend received</i>	455	300
<i>Interest received</i>	320	229
Net cash used in investing activities	(13,639)	(433)
Financing Activities		
<i>Purchase of Company's own share</i>	-	(728)
<i>Interest paid</i>	(60)	(57)
<i>Repayment / drawdown of trade facilities</i>	(461)	2,012
Net cash used in financing activities	(521)	1,227
Net Changes in Cash & Cash Equivalents	5,257	2,620
Effect of exchange rate & fluctuations on cash held	28	(5)
Cash & Cash Equivalents at beginning of financial period	76,848	53,712
Cash & Cash Equivalents at end of the financial period	82,133	56,327

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.



PART A -- Notes To The Interim Financial Report

A1 Basis of preparation

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

The interim financial report should be read in conjunction with the most recent annual financial statements of the Group for the year ended 30 April 2017.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2017.

The Group has not early adopted new or revised standards, amendments and interpretation that have been issued but not yet effective for the Group’s accounting period beginning 1 May 2017.

The initial application of the accounting standards, amendments or interpretations is not expected to have any material financial impacts to the current period and prior period financial statements of the Group upon their first adoption.

A2 Seasonal or cyclical factors of interim operations

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

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

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

A4 Changes in estimates of amounts reported previously

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



A5 Issues, repurchase and repayments of debts and equity securities

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

The details of shares held as treasury shares for the period ended 31 July 2017 are as follows:

	Number of Treasury shares	Total Consideration RM
Balance as at 1 May 2017	9,262,888	19,686,506
Repurchased during the quarter	-	-
Balance as at 31 July 2017	9,262,888	19,686,506

The repurchase transactions were financed by internally generated funds.

As at 15 September 2017, the treasury shares held were 9,316,988 shares with total purchase consideration of RM 19,907,101.

A6 Dividend paid

No dividend has been paid for the quarter under review.

A7 Segment information

Details of segmental analysis for the period ended 31 July 2017 are as follows:

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE						
Revenue from external customers	102,383	13,041	8,118	995	-	124,537
Inter-segment revenue	53	32,110	-	4,736	(36,899)	-
Total revenue	102,436	45,151	8,118	5,731	(36,899)	124,537
RESULT						
Segment profit/(loss)	18,812	2,954	(527)	1,176	431	22,846
Finance costs						(60)
Interest income						320
Share of loss of equity-accounted investee, net of tax						(1)
Share of loss of associated company						-
Profit before taxation						<u>23,105</u>
Income tax expenses						(5,511)
Net profit for the period						<u>17,594</u>



A7 Segmental information (continued)

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	170,937	156,212	31,232	29,850	-	388,231
Segment liabilities	42,171	24,328	2,031	3,376	-	71,906

A8 Property, plant and equipment

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

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

There was no material events subsequent to the quarter ended 31 July 2017.

A10 Changes in the composition of the Group

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

- (i) The Company had acquired additional 19,000 ordinary shares of Hai-O Raya Bhd, for a total cash consideration of RM 51,300 during the quarter under review.



A11 Contingent liabilities

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

<u>Company</u>	As at 15/09/2017	As at 31/07/2017	As at 30/04/2017
	RM'000	RM'000	RM'000
Corporate guarantee in respect of credit facilities granted to subsidiary companies	Nil	Nil	Nil

<u>Group</u>	As at 15/09/2017	As at 31/07/2017	As at 30/04/2017
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	813	813	1,013

A12 Capital commitment

The capital commitment of the Group for the period ended 31 July 2017 is as follows:

	Approved and contracted for	Approved but not contracted for
	RM'000	RM'000
Property, plant and equipment	11,053	203
Investment properties	2,160	-
Total	13,213	203



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

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

Financial review for current quarter and financial year to date

	Individual Period (1st quarter)		Changes	Cumulative Period		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	31/07/2017 (RM '000)	31/07/2016 (RM '000)		31/07/2017 (RM '000)	31/07/2016 (RM '000)	
Revenue	124,537	78,662	58.32%	124,537	78,662	58.32%
Gross Profit	41,104	25,332	62.26%	41,104	25,332	62.26%
Operating Profit	22,846	12,557	81.94%	22,846	12,557	81.94%
Profit Before Tax	23,105	12,595	83.45%	23,105	12,595	83.45%
Profit After Tax	17,594	9,448	86.22%	17,594	9,448	86.22%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	17,866	9,744	83.35%	17,866	9,744	83.35%

Statement of profit & loss and other comprehensive income

For the 1st quarter under review, the Group recorded higher revenue of RM 124.5 million as compared to previous year of RM 78.7 million, an increase of 58.3%. The increase was mainly attributed by the increase in revenue from the MLM and Retail divisions. Revenue from the MLM and Retail divisions increased by 81.4% and 13.8% to RM 102.4 million and RM 8.1 million respectively. Wholesale division recorded lower revenue of RM 13.0 million as compared to previous year of RM 14.2 million, mainly due to one-off RM 2 million Chinese liquor export sales generated in the previous year. Revenue generated by other division increased marginally by about 3.8% mainly contributed by the manufacturing division.

The Group's pre-tax profit increased more than double to RM 25.7 million before factor in RM 2.6 million of the employees' share option expenses, the increase mainly contributed by the MLM and Wholesale divisions. During the quarter under review, the pre-tax profit after recognising employees' share option expenses was RM 23.1 million as compared to previous year corresponding quarter of RM 12.6 million, increased by 83.5%. The increase in pre-tax profit of the MLM division was mainly generated from higher sales of most of the products and additional sales from newly recruited members. The Group's net margin improved by 2.1% as a result of higher sales of its premium products and improvement in operational efficiency.



Statement of financial position

The Equity attributable to equity holders of the parent stood at RM 305.4 million , an increase of 7.2% as compared to previous financial year ended 30 April 2017 of RM 284.8 million, after taking into account the profit attributable to owner of the company of RM 17.9 million and acquisition of additional interest in a subsidiary. During the quarter under review, the Group and its subsidiaries had granted 2.2 million ESOS options to its eligible employees attributed RM 2.6 million had been recognized as employees' share option reserve.

The Group's total assets as at 31 July 2017 were RM 388.2 million (FYE 30.4.2017: RM 364.3 million). The increase in total assets was mainly attributed to higher cash and cash equivalent and other investment from RM 135.0 million to RM 154.4 million, increased by RM 19.4 million. The increase in inventories from RM 71.7 million to RM 78.6 million was in tandem with the increase in sales as the Group required to have sufficient stocks to meet its sales.

The Group's total liabilities were RM 71.9 million (FYE 30.4.2017 RM 67.9 million). This was mainly due to the increase in trade and other payables and current tax payable.

The net assets per share increased by 8 sen to RM 1.06 against previous financial year ended 30 April 2017 of RM 0.98 due to higher profit generated amounting to RM 17.9 million derived in the quarter under review.

Statement of Cash Flow

The Group's cash and cash equivalents and short term investment was RM 154.4 million.

The net cash flow from operating activities was RM 19.4 million primarily generated from its three main divisions with MLM and Retail division's sales mainly transacted in cash despite an outflow for higher inventories and income tax payment. The net cash used in investing activities included the placement of excess funds in money market to earn higher return and purchase of property, plant and equipment with a total outflow of RM 13.6 million. Whereas net cash used in financing activities was an outflow of RM 0.5 million which included interest paid and re-payment of trade facilities. As a result, the Group recorded a net increase in cash and cash equivalent of RM 5.3 million in the current period.



Segmental Analysis

(i) *MLM division*

Revenue increased by 81.4% to RM 102.4 million as compared to the preceding year's corresponding quarter, the increase was mainly attributable to higher sales volume from most of the products sold and additional sales generated from the newly recruited members. Higher sales from its big ticket items – fashion & garment was due to intensive sales campaign carried out during the quarter. Furthermore, the recurring sales from its consumer products such as food & beverage, personal care products, skincare series and household products had contributed to the increase in total sales volume and margin. The overwhelming response from its newly launched fashion wear –Hijabs during the quarter had added on to the revenue. Wider usage of social media and marketing digital platform efficiently have facilitated the leaders to reach out to younger group of entrepreneurs. Hence, the new members recruitment which increased by more than 40% as compared to preceding year's corresponding quarter had also contributed higher sales for the division.

Despite employees' share option expenses of RM 0.6 million being recognized in the 1st quarter FY 2018, the pre-tax profit increased by 93.7% from RM 9.9 million to RM 19.1 million which was in tandem with higher revenue achieved.

The division currently contributes about 80% to the Group's total revenue.

(ii) *Wholesale division*

Revenue recorded in previous year's corresponding quarter was higher due to one-off export sales of RM 2 million of the Chinese liquor. On the back of higher base in the previous year's corresponding quarter, the external revenue in this 1st quarter decreased by about 8% to RM 13.0 million as compared to the preceding year's corresponding quarter of RM 14.2 million.

Despite employees' share option expenses of RM 1.4 million being recognized in the 1st quarter FY 2018, the pre-tax profit increased by about 56% to RM 3.4 million, mainly contributed by higher sales generated from patented medicine and Chinese medicated tonic which generally carried higher margin. Furthermore, higher profit generated from inter-segment sales to the MLM and Retail divisions also contributed to its bottom line.

(iii) *Retail division*

The operating environment of retail industry remained challenging, high inflation rate coupled with operational costs pressures had affected the retail business as a whole. In spite of this, the division had implemented effective cost control measures and carried out an extensive sales promotion on its house brand products which had received positive response from its Loyalty Friendship members. As a result, The revenue increased by about 14% from RM 7.1 million to RM 8.1 million as compared to previous year's corresponding period.

The higher revenue recorded by the division enable the division to breakeven against loss of RM 0.5 million in previous year. However, after recognizing the one off employees' share option expenses of RM 0.45 million, the bottom line recorded a loss of RM 0.49 million.



Segmental Analysis (continued)

(i) Other division

Revenue are mainly comprised of rental income from investment properties, manufacturing activities, advertising and credit & leasing business. Revenue in Other division increased marginally by 3.8% mainly derived from manufacturing activities.

The manufacturing division is currently focus on the inter-segment's OEM sales for MLM and Retail divisions with its total revenue increased by about 17.5% as compared to the preceding year's corresponding quarter. The division is currently working with the Group product development team to introduce more halal food supplements for Muslim market.

The pre-tax profit maintained at about RM 1.1 million after recognizing the employees' share option expenses of RM 0.1 million .

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

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes
	31/07/2017 (RM '000)	30/04/2017 (RM '000)	
Revenue	124,537	118,622	5.0%
Gross Profit	41,104	40,010	2.7%
Operating Profit	22,846	23,276	(1.8)%
Profit Before Tax	23,105	23,639	(2.3)%
Profit After Tax	17,594	18,393	(4.3)%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	17,866	18,463	(3.2%)



For the first quarter under review, revenue increased by 5.0% to RM 124.5 million with pre-tax profit maintained at about RM 23.1 million mainly due to the contribution from the following segments :

(i) MLM division

Despite the Ramadan fasting month and Hari Raya festival in June, sales was indeed increased by about 7.1% to RM 102.4 million. The ongoing of several mega events as well as products promotion and training activities held have kept its business momentum growing. On the back of higher revenue of RM 102.4 million, pre-tax profit maintained at RM 19.1 million after recognizing the one-off employees' share option expenses of RM 0.6 million as compared with the immediate preceding quarter.

(ii) Wholesale division

Despite the external revenue maintained at about RM 13.0 million as compared with the immediate preceding quarter, pre-tax profit increased by 52.7% to RM 3.4 million. The increase in pre-tax profit was mainly attributable to higher contribution from inter-segment sales to MLM division and higher margin generated from the sales of patented medicine products and high margin Chinese medicated tonic. The increase in the pre-tax profit to RM 3.4 million was after recognizing one-off employees' share option expenses of RM1.4 million.

(iii) Retail division

Revenue was lowered by 13.2% to RM 8.1 million as compared with the immediate preceding quarter of RM 9.4 million. Sales are traditionally lower in the 1st quarter of the new financial year after the year-end members' grand sales campaign held in the 4th quarter of the previous financial year. Hence, due to lower revenue recorded in the current quarter coupled with one-off employees' share option expenses of RM 0.45 million, the division recorded loss of RM 0.49 million as compared to the pre-tax profit of RM 0.3 million in the immediate preceding quarter.

B3 Commentary on prospects for the next quarter

The business operating environment will remain challenging on the back of weak consumer sentiment and rising of cost of living. In view of this, the Group has taken several measures to mitigate the risks.

The MLM division recently had successfully launched one of its fashion range of products which received positive response from its members. The division will continue to collaborate with a well known local designer to roll out more fashion wear and related products, and other trendy lifestyle range of products. In conjunction with the MLM division to celebrate its 25th year anniversary, the division will carry out grand sales promotions to attract more buying activities and participants. Besides, the division will launch its annual incentive trip campaign in the next quarter. All these mentioned ongoing activities will help to keep the sales momentum going. The Wholesale and Retail divisions are still being affected by weak domestic demand as consumers are cautious in spending. However, the two divisions will continue to carry out extensive A&P and source for more quality products with affordable prices for its consumers especially targeting the younger group of consumers. Furthermore, the Group will continue to enhance its marketing digital platform for all its operating segments thus to achieve cost efficiency and ability to reach out to a wider group of consumers.

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



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

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

B5 Profit Forecast / profit guarantee previously announced

There were no profit forecast or profit guarantee previously announced.

B6 Trade Receivables

Ageing analysis of trade receivables of the Group as at 31 July 2017 are as follow:

	RM '000
Not past due	14,308
Past due 1-30days	1,654
Past due 31-60 days	798
Past due more than 60 days & not impaired	2,070
Past due more than 60 days & impaired	71
	<u>18,901</u>

The trade receivables were mainly for non-related parties with credit term of 60-90 days days. Steps have been taken together with solicitor to recover the impaired amount of RM 71,000.



B7 Taxation

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

For the current quarter and year to date, the effective tax rate of the Group is lower than the statutory tax rate due mainly due to reduction of income tax rate based on the percentage of increase in chargeable income under Income Tax (Exemption) (No 2) Order 2017 (“the Exempt Order”), certain income which are not subject to tax, utilisation of capital allowance and reinvestment allowance.

	Current quarter ended	Current year to date
	31/07/2017	31/07/2017
	(RM '000)	(RM '000)
Profit before taxation	23,105	23,105
Taxation at applicable tax rate – 24%	5,545	5,545
Adjustment mainly due to effect of “the Exempt Order”, certain non-taxable income, utilisation of capital and reinvestment allowance	(34)	(34)
Total Income Tax Expenses	5,511	5,511

B8 Status of Corporate Proposals

The status of the corporate proposals for the period under review:

Further to the announcement made on 3 May 2017, the employees’ share option scheme (“ESOS”) came into effect from 3 May 2017. The Group has upon the recommendation by the ESOS Committee, offered a total of 2,200,000 ESOS options to the eligible employees of Hai-O and its subsidiaries on 3 July 2017 in accordance with terms of the ESOS By-Laws.

As at to date, a total of 400,000 options (“Hai-O shares”) were exercised at subscription price of RM 3.63 per share. The 400,000 Hai-O shares were granted with listing and quotation on the Main Market of Bursa Securities on 15 September 2017. Accordingly, the issued share capital of the Company increased to RM 150,778,945.



B9 Group Borrowings and Debts Securities

The Group borrowings and debts securities are as follows :

Current quarter ended 31/07/2017				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowing	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	2,585
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				2,585

Preceding year corresponding quarter ended 31/07/2016				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowings	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	3,126
Long Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				3,126

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

B10 Changes in Material Litigation

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

B11 Dividend payable

No interim dividend has been declared for the quarter under review (31/7/2016: Nil).

The final single-tier dividend of 11 sen per ordinary share proposed by the Directors in respect of the previous financial year ended 30 April 2017 subject to the approval of the shareholders at the forthcoming Annual General Meeting will be paid on 22 November 2017. (30/4/2016: a single tier dividend of 11 sen per ordinary share).

The entitlement date for the dividend payment is 10 November 2017.



B12 Realised and Unrealised Profits/Losses Disclosure

In accordance with the directive of BMSB and Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the context of Disclosure Pursuant to BMSB Listing Requirements, as issued by Malaysian Institute of Accountants, the Company is required to disclose a breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period and the previous financial year, on a group basis, into realised and unrealised profits or losses in the notes to its quarterly report.

The disclosure is based on the prescribed format by the BMSB.

	As at 31/07/2017 RM'000	As at 30/04/2017 RM'000 (Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	174,012	157,169
- Unrealised	1,451	953
	175,463	158,122
Total share of retained profits of an associate		
- Realised	(901)	(901)
Total share of retained profits of jointly controlled entities:		
- Realised	1,448	1,449
- Unrealised	(49)	(49)
	176,961	158,621
Less: Consolidation adjustments	(3,127)	(3,761)
Total Group retained profits as per consolidated accounts	172,834	154,860



B13 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2017	31/07/2016 (restated)	31/07/2017	31/07/2016 (restated)

Earnings

Net profit for the period attributable to equity holders of the parent (RM'000)

17,866

9,744

17,866

9,744

Weighted average number of shares ('000)

289,413

291,504

289,413

291,504

Basic earnings per share (sen)

6.17

3.34

6.17

3.34

Diluted earnings per share is not applicable as there were no dilutive potential ordinary shares during the reporting period.

B14 Auditors' report of the preceding annual financial statement

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



B15 Items included in the Statement of Profit and Loss and Other Comprehensive Income

	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2017 RM' 000	31/07/2016 RM' 000	31/07/2017 RM' 000	31/07/2016 RM' 000
<i>Profit before taxation is arrived at after (charging)/crediting:</i>				
Interest income	320	229	320	229
Other income including investment Income	2,212	2,574	2,212	2,574
Interest expense	(60)	(57)	(60)	(57)
Depreciation and amortization	(958)	(878)	(958)	(878)
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	(183)	(55)	(183)	(55)
Gain or (loss) on disposal of quoted or unquoted investment and/or PPE	558	(3)	558	(3)
Impairment of assets	-	-	-	-
Foreign exchange gain /(loss):				
- Realised	137	-	137	-
- Unrealised	(16)	251	(16)	251
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-