

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

Unaudited Interim Financial Report 31 October 2017



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

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

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

		JAL PERIOD quarter)	CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD	
	31/10/2017	31/10/2016	31/10/2017	31/10/2016	
	RM'000	RM'000	RM'000	RM'000	
Revenue	123,528	99,778	248,065	178,440	
Cost of sales	(80,828)	(67,488)	(164,261)	(120,818)	
Gross Profit	42,700	32,290	83,804	57,622	
Other income	3,214	3,087	5,426	5,661	
Depreciation	(980)	(890)	(1,938)	(1,768)	
Administrative expenses	(6,620)	(5,277)	(16,414)	(10,378)	
Selling & distribution expenses	(10,336)	(8,742)	(19,914)	(18,061)	
Other expenses	(557)	(250)	(697)	(301)	
Operating Profit	27,421	20,218	50,267	32,775	
Interest income	442	380	762	609	
Finance costs	(15)	(23)	(75)	(80)	
Share of profit/(loss) of equity-accounted investee, net of tax	2	(11)	1	(3)	
Share of loss of associate company	-	(243)	-	(385)	
Profit before tax	27,850	20,321	50,955	32,916	
Tax expenses	(6,224)	(4,411)	(11,735)	(7,558)	
Profit after tax	21,626	15,910	39,220	25,358	
Profit attributable to:					
Owner of the parent	21,438	15,908	39,304	25,652	
Non-controlling interest	188 21,626	<u>2</u> 15,910	(84) 39,220	(294) 25,358	
Earnings Per Share attributable to equity holders of the parent				· · · · ·	
- Basic	7.40	5.48	13.58	8.84	
- Diluted	7.39		13.56		

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 October 2017 The figures have not been audited.

#### CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 OCTOBER 2017

	INDIVIDUAL (2nd q				
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD	
	31/10/2017	31/10/2016	31/10/2017	31/10/2016	
	RM'000	RM'000	RM'000	RM'000	
Profit for the period	21,626	15,910	39,220	25,358	
Other comprehensive income					
<ul> <li>Foreign currency translation differences for foreign operations</li> </ul>	27	(18)	43	(29)	
Total comprehensive Income for the period	21,653	15,892	39,263	25,329	
Total comprehensive income attributable to:					
Owner of the parent	21,465	15,890	39,347	25,623	
Non-controlling Interest	188 21,653	<u>2</u>	(84)	(294) 25,329	
	21,000	10,092	59,205	20,329	

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.

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### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2017

		(Audited)
	AS AT	AS AT
	CURRENT	PRECEDING
	FINANCIAL	
	PERIOD ENDED 31/10/2017	YEAR ENDED 30/4/2017
	(RM'000)	(RM'000)
	(1111 000)	(1000)
ASSETS		
Non-current assets		
Property, Plant and Equipment Investment properties	77,484 49,677	73,672 48,306
Investment in jointly control entity	2,161	2,160
Investment in an associates	_,	-
Other Investments	12	236
Goodwill arising from consolidation	85	85
Trade receivables - non current	421	295
Deferred tax assets	1,798	1,212
	131,638	125,966
Current Assets	70 50 4	74 707
Inventories Trade and other receivables	78,594 33,254	71,707 31,586
Other Investments	55,254	51,500
Financial assets at fair value through		
profit or loss	80,898	58,194
Cash and Cash Equivalents	93,750	76,848
	286,496	238,335
TOTAL ASSETS	418,134	364,301
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	156,162	149,327
Treasury Shares Other reserves	(19,907) 1,263	(19,687) 314
Retained earnings	162,423	154,860
	299,941	284,814
Non-controlling interest	10,746	11,355
Total Equity	310,687	296,169
Non-current Liabilities		
Borrowings Deferred tax	- 195	- 208
	195	208
Current Liabilities		
Trade & other payables	95,109	57,536
Short term borrowings Short-term provisions	1,192 386	3,046 1,649
Current tax payables	10,565	5,693
	107,252	67,924
The set of the ballstore		
Total Liabilities	107,447	68,132
TOTAL EQUITY AND LIABILITIES	418,134	364,301
Net assets per share attributable to ordinary		
equity holders of the parent (RM)	1.03	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.



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

#### CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE QUARTER ENDED 31 OCTOBER 2017

	2017 6 month ended 31/10/2017 (RM '000)	2016 6 month ended 31/10/2016 (RM '000)
Profit before tax Adjustment for :-	50,955	32,916
Depreciation Dividend income Employees' share option expenses Fair value (gain)/loss on other investments Finance costs Finance income Gain on disposal of property, plant and equipment Gain on disposal of other investment Property, plant and equipment written off Share of profit of equity-accounted investee, net of tax Share of losses of Associated company Provision for sales campaign Reversal of impairment gain Realised foreign exchange differences	1,938 (945) 2,597 (275) 75 (762) (1,097) (31) 22 (1) (1,263) (225)	1,768 (956) - (68) 80 (609) (34) - 54 3 384 (38) -
Unrealised foreign exchange differences	17	(372)
Operating profit before changes in working capital Changes in working capital	51,005	33,128
Inventories Receipts from customers Net Change in other receivables Payment to suppliers, contractors and employees Net Change in other payables Payment of income taxes	(6,887) 1,485 (3,468) (5,681) 11,029 (7,273) (10,795)	(5,957) 4,226 (6,700) (4,754) 7,604 (5,479) (11,060)
Net cash flows from operating activities	40,210	22,068
Investing Activities		
Accretion of equity interests in subsidiaries Acquisition of other investments Purchase of property, plant and equipment Proceeds from disposal of other investment Proceeds from disposal of property, plant and equipment Dividend received Interest received	(60) (36,781) (7,104) 14,607 1,286 945 762	(21) (48,297) (1,624) 41,874 36 956 609
Net cash used in investing activities	(26,345)	(6,467)
Financing Activities Proceeds from issue of shares Purchase of Company's own share Interest paid Repayment / drawdown of trade facilities	5,144 (220) (75) (1,854)	- (927) (80) 1,357
Net cash used in financing activities	2,995	350
Net Changes in Cash & Cash Equivalents	16,860	15,951
Effect of exchange rate & fluctuations on cash held	42	(18)
Cash & Cash Equivalents at begining of financial period	76,848	53,712
Cash & Cash Equivalents at end of the financial period	93,750	69,645

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.



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

### CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 OCTOBER 2017

	INon distributable IDistributable II contract of the ParentI contract of the Parent					Non- controlling interest	Total Equity	
	Capital	shares	fluctuation	reserve	Earnings	Total	interest	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
6 month ended 31 October 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	-	-	-	-	39,304	39,304	(84)	39,220
Other comprehensive income for the period	-	-	43	-	-	43	-	43
Total comprehensive income for the period	-	-	43	-	39,304	39,347	(84)	39,263
Employees ' share option reserve	1,691	-	-	906	-	2,597	-	2,597
Share issued pursuant to ESOS	5,144	-	-	-	-	5,144	-	5,144
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	242	242	(302)	(60)
Dividend	-	-	-	-	(31,983)	(31,983)	(223)	(32,206)
Purchase of Company's own shares	-	(220)	-	-	-	(220)	-	(220)
Balance at end of financial period	156,162	(19,907)	(300)	1,563	162,423	299,941	10,746	310,687
6 month ended 31 October 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 Other comprehensive income for the period	-	-	- (29)	-	25,652 -	25,652 (29)	(295)	25,357 (29)
Total comprehensive income for the period	-	-	(29)	-	25,652	25,623	(295)	25,328
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	43	43	(64)	(21)
Dividend	-	-	-	-	(21,226)	(21,226)	(228)	(21,454)
Purchase of Company's own shares	-	(927)	-	-	-	(927)	-	(927)
Balance at end of financial period	101,095	(19,568)	(212)	657	178,914	260,886	11,020	271,906

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.



#### 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

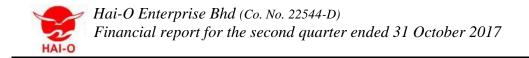
The Group's interim business operations are not significantly affected by seasonal or cyclical factors for the quarter under review except for some seasonal consumer products, which are affected by major festive seasons.

#### 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 October 2017 are as follows:

	Number of Treasury shares	Total Consideration RM
Balance as at 1 Aug 2017	9,262,888	19,686,506
Repurchased during the quarter	54,100	220,595
Balance as at 31 Oct 2017	9,316,988	19,907,101

The repurchase transactions were financed by internally generated funds.

Subsequent to the end of this interim period, the Company resold 634,000 ordinary shares for a total consideration of RM 3,339,373. As at 15 December 2017, the treasury shares held were 8,691,588 shares with total purchase consideration of RM 18,596,886.

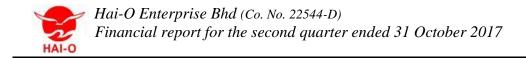
#### A6 Dividend paid

A final single tier dividend of 11 sen, amounting to RM 31,982,929 in respect of the previous financial year ended 30 April 2017 as approved by the shareholders at the Annual General Meeting held on 25 September 2017 was paid on 22 November 2017.

#### A7 Segment information

Details of segmental analysis for the period ended 31 October 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	197,897	29,514	18,494	2,160	-	248,065
Inter-segment revenue	121	65,981	-	9,235	(75,337)	-
Total revenue	198,018	95,495	18,494	11,395	(75,337)	248,065
RESULT						
Segment profit/(loss)	38,335	9,628	(47)	2,404	(53)	50,267
Finance costs						(75)
Interest income						762
Share of loss of equity- accounted investee, net of tax						1
Share of loss of associated						
company						-
Profit before taxation					-	50,955
Income tax expenses						(11,735)
Net profit for the period					-	39,220



#### 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	189,726	159,860	37,368	31,180	-	418,134
Segment liabilities	43,391	55,650	5,459	2,947	_	107,447

#### 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 October 2017.

#### A10 Changes in the composition of the Group

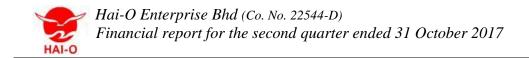
There was no change in the composition of the Group during the interim period except for the following:

The Company had acquired additional 3,000 ordinary shares of Hai-O Raya Bhd, for a total cash consideration of RM 8,100 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 15/12/2017	As at 31/10/2017	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 15/12/2017	As at 31/10/2017	As at 30/04/2017
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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 October 2017 is as follows:

	Approved and contracted for	Approved but not contracted for
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	8,406	202
Investment properties	2,160	1,846
Total	10,566	2,048

#### 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:

	Individual Period (2nd quarter)		Changes	Cumulative Period		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31/10/2017 (RM '000)	31/10/2016 (RM '000)		31/10/2017 (RM '000)	31/10/2016 (RM '000)	
Revenue	123,528	99,778	23.80%	248,065	178,440	39.02%
Gross Profit	42,700	32,290	32.24%	83,804	57,622	45.44%
Operating Profit	27,421	20,218	35.63%	50,267	32,775	53.37%
Profit Before Tax	27,850	20,321	37.05%	50,955	32,916	54.80%
Profit After Tax	21,626	15,910	35.93%	39,220	25,358	54.67%
Profit/(Loss) Attributable to Ordinary						
Equity Holders of the						
Parent	21,438	15,908	34.76%	39,304	25,652	53.22%



#### Statement of profit & loss and other comprehensive income

For the first half of the financial year, the Group recorded a higher revenue of RM 248.1 million as compared to the previous financial year of RM 178.4 million, an increase of 39.0%. The increase was mainly attributed by the increase in revenue from all the three main divisions : Wholesale, Multi-level marketing ("MLM") and Retail divisions. Wholesale division recorded an increase in revenue by 13.7% to RM 29.5 million as compared to previous year of RM 25.9 million mainly attributable to higher sales generated from health tonic. Revenue from the MLM and Retail divisions increased by 47.8% and 12.7% to RM 197.9 million and RM 18.5 million respectively. Revenue from Other division was maintained at RM 2.2 million as compared to previous year corresponding period.

The Group's pre-tax profit increased by 54.8% to approximately RM 51.0 million after recognizing employees' share option ("ESOS") expense of RM 2.6 million as compared to previous year corresponding period. The increase in pre-tax profit was mainly contributed by the MLM and Wholesale divisions. The Group's net margin after MI improved by 1.4% to 15.8% as a result of the higher sales of its premium products.

#### Statement of financial position

The Equity attributable to equity holders of the parent stood at RM 299.9 million, an increase of 5.3% 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 39.3 million and acquisition of additional interest in a subsidiary. In addition, the proposed final dividend of approximately RM 31.98 million in respect of previous financial year was accounted for as an appropriation of retained earnings in the quarter under review after it had been approved by the shareholders on 25<sup>th</sup> September 2017. During the period under review, a total of 1,417,000 ESOS options ("Hai-O shares") were exercised and listed on the Main Market of Bursa Securities. An amount of RM 1.7 million of ESOS reserve was capitalised to share capital upon the issuance of Hai-O shares. With effect thereof, the issued share capital increased to RM 156.2 million accordingly.

The Group's total assets as at 31 October 2017 were RM 418.1 million (FYE 30.4.2017: RM 364.3 million). The increase in total assets by RM 39.6 million included additional property, plant and equipment amounting to RM 3.8 million, higher cash and cash equivalent and short-term investment from RM 135.0 million to RM 174.6 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 higher sales.

The Group's total liabilities were RM 107.4 million (FYE 30.4.2017 RM 68.1 million). This was mainly due to the increase in trade and other payable including dividend payable of RM 31.98 million and current tax payable.

The net assets per share increased to RM 1.03 against previous financial year ended 30 April 2017 of RM 0.98.



#### Statement of Cash Flow

The Group's cash and cash equivalents and short term investment was RM 174.6 million.

The net cash flow from operating activities was RM 40.2 million primarily generated from the operating profit of the three main divisions with MLM and Retail divisions' sales mainly transacted in cash despite an outflow for higher inventories, creditors 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 26.3 million. Whereas net cash used in financing activities with net inflow of RM 3.0 million mainly derived from the proceeds of issuance of Hai-O shares under ESOS scheme. As a result, the Group recorded a net increase in cash and cash equivalent of RM 16.9 million in the current period.

#### Segmental Analysis

#### Current quarter compared to the preceding year's corresponding quarter

For the second quarter under review, the Group registered higher revenue and pre-tax profit of RM 123.5 million and RM 27.9 million as compared to RM 99.8 million and RM 20.3 million, increased by 23.8% and 37.1% respectively. The increase in the Group's pre-tax profit was mainly contributed by both Wholesale and MLM divisions :

(i) <u>MLM division</u>

The revenue and pre-tax profit increased by about 23.3% and 23.2% to RM 95.5 million and RM 19.9 million respectively as compared to the preceding year's corresponding quarter. The increase in revenue and pre-tax profit were mainly attributable to higher sales volume of consumer products. Higher recurring sales of consumer products which comprised of food & beverage, personal care products, skincare series and household products contributed more than 70% to the total sales. Furthermore, the 25<sup>th</sup> year anniversary grand sales promotion which was held during the quarter had a positive effect to the revenue.

(ii) <u>Wholesale division</u>

The revenue from external sales increased by RM 4.7 million or 40.0% to RM 16.5 million as compared to the preceding year's corresponding quarter of RM 11.8 million. The increase in revenue was mainly due to higher sales generated from Chinese medicated tonic. A promotion campaign which was carried out during the quarter for its premium Chinese medicated tonic had received an over-whelming response from its customers coupled with the additional contribution from intersegment sales. Hence the pre-tax profit increased by more than double from RM 2.3 million to RM 6.2 million accordingly.



### (iii) <u>Retail division</u>

The division registered a higher revenue of RM 10.4 million, increased by 12.0% as compared to the preceding year's corresponding quarter of RM 9.3 million. The extensive sales promotion of its house brand products and implementation of sales incentive scheme across all outlets had motivated the outlet sales personnel to boost up the sales for the division. Despite higher sales achieved during the quarter under review, the pre-tax profit maintained at RM 0.5 million mainly due to higher sales discount been given out during the sales promotion campaign.

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

For the first half of the current financial year, the Group registered higher revenue and pretax profit of RM 248.1 million and RM 51.0 million as compared to RM 178.4 million and RM 32.9 million, representing an increase of 39.0% and 54.8% respectively for the corresponding quarter of the preceding year. The increase in the Group's revenue was mainly contributed by all the three main divisions - Wholesale, MLM and Retail divisions :

(i) <u>MLM division</u>

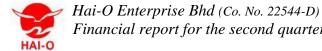
The division recorded a higher revenue and pre-tax profit of RM 197.9 million and RM 38.9 million as compared to previous year of RM 133.9 million and RM 26.0 million, increased by 47.8% and 49.8% respectively. The increase in revenue was mainly attributable to higher sales volume from most of the products sold. In addition, the new series of fashion wear – designer Hijabs, skin care and other new consumer products which launched during the period were well received by its members and had added on to the revenue. Besides, the ongoing member recruitment and retention program had also contributed to the increase in revenue. Furthermore, the 25<sup>th</sup> year anniversary grand sales promotion which was carried out during the period had further boost up sales to the division as compared to the preceding year's corresponding period.

Despite the ESOS expenses of RM 0.6 million being recognised in the current financial period, the pre-tax profit increased by 49.8% from RM 26.0 million to RM 38.9 million which was in tandem with higher revenue achieved.

(ii) <u>Wholesale division</u>

The revenue from external sales increased by about 13.7% to RM 29.5 million as compared to the preceding year's corresponding period mainly contributed by higher sales from Chinese medicated tonic and patented medicine. The division has carried out sales promotion campaign on one of its premium Chinese medicated tonic during the period which had further boost up the sales.

Despite ESOS expenses of RM 1.4 million being recognised in the current financial period, the pre-tax profit increased by more than double from RM 4.3 million to about RM 9.6 million mainly attributed to higher contribution from sales of high margin Chinese medicated tonic and patented medicine coupled with additional contribution from inter-segment sales.



# Financial report for the second quarter ended 31 October 2017

#### (iii) Retail division

During the period under review, despite the domestic consumer sentiment remain subdued, the division had carried out sales promotion of its house brand products which had received an overwhelming response from its Loyalty Friendship members and hence revenue was increased by 12.7% to RM 18.5 million as compared to the preceding year's corresponding period of RM 16.4 million.

On the back of a higher revenue achieved, the division registered a pre-tax profit of RM 0.46 million against the breakeven level in previous year's corresponding period. However, after recognising the one off ESOS expenses of RM 0.45 million, the division maintained its bottom line at breakeven for the current period under review.

(iv) Other division

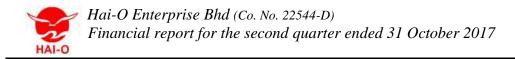
> Revenue are mainly comprised of rental income from investment properties, manufacturing activities, advertising and credit & leasing business. The main contributors are from the manufacturing and properties segments.

> The manufacturing segment is currently focus on the inter-segment's OEM sales for MLM and Retail divisions. Revenue registered in Other division remained at RM 2.2 million as compared to the preceding year's corresponding quarter. The pre-tax profit was lowered by about 7.0%, from RM 2.6 million to RM 2.4 million before recognition of the one off ESOS 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 preced	ing quarter
	vari vari quar ter	eompared with	minearare presea	

	Current Quarter	Immediate Preceding Quarter	Changes
	31/10/2017 (RM '000)	31/07/2017 (RM '000)	
Revenue	123,528	124,537	(1.0%)
Gross Profit	42,700	41,104	3.9%
Operating Profit	27,421	22,846	20.0%
Profit Before Tax	27,850	23,105	20.5%
Profit After Tax	21,626	17,594	22.9%
Profit/(Loss) Attributable to			
Ordinary Equity Holders of			
the Parent	21,438	17,866	20.0%



For the second quarter under review, revenue maintained at about RM 124 million with pretax profit increased by 20.5% to RM 27.9 million mainly due to the contribution from the following segments :

#### (i) <u>MLM division</u>

The revenue was lower by 6.7% to RM 95.6 million as compared with the immediate preceding quarter of RM 102.4 million. The higher revenue in the immediate preceding quarter was mainly due to early purchase by its members to enjoy special discount of products during grand sales promotion ahead of its 25<sup>th</sup> year anniversary.

The pre-tax profit maintained at approximately RM 19.9 million due to lower operating expenses as compared with the immediate preceding quarter of RM 19.7 million before factored in the RM 0.6 million of ESOS expenses .

#### (ii) <u>Wholesale division</u>

The revenue increased by 26.3% to RM 16.5 million as compared with the immediate preceding quarter of RM 13.0 million. On the back of higher revenue achieved coupled with higher contribution from sales of Chinese medicated tonic and patented medicine, the pre-tax profit increased by about 29.2% from RM 4.8 million to RM 6.2 million before factored in the one off ESOS expenses of RM 1.4 million in the first quarter.

#### (iii) <u>Retail division</u>

The revenue increased by 27.8% to RM 10.4 million as compared with the immediate preceding quarter of RM 8.1 million was derived from its half yearly members' sales promotion campaign. The higher revenue achieved resulting the division to register a pre-tax profit of RM 0.5 million against the breakeven level in the immediate preceding quarter before factored in the one off ESOS expenses of RM 0.45 million in the first quarter.

#### **B3** Commentary on prospects for the next quarter

Despite showing a sign of improvement in domestic economy and strengthening of Ringgit Malaysia against USD currency, inflation rate remains high and consumer are still cautious in their spending. Moving forward, the Group will remain cautious and will take proactive measures and implement various business strategies in order to achieve sustainable performance in this ever changing operating environment.

The MLM division will continue to develop more new products in the second half of the year especially on lifestyle related range of products and beverage products in the next quarter. New members' recruitment and retention programs remain one of the on-going activities that the division will pursue. As Chinese New Year ("CNY") festive season is approaching, the Wholesale and Retail divisions will carry out an extensive CNY promotion campaign. Furthermore, the Group will continue to leverage on digital marketing platform for its main operating segments and is positive on this move which will benefit the Group in the long run.

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

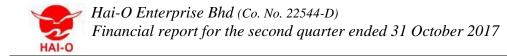
There were no profit forecast or profit guarantee previously announced.

#### **B6** Trade Receivables

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

	RM '000
Not past due	15,010
Past due 1-30 days	2,457
Past due 31-60 days	1,277
Past due more than 60 days & not	
impaired	1,648
Past due more than 60 days &	247
impaired	247
	20,639

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 247,000.



#### **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 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
	31/10/2017 (RM '000)	31/10/2017 (RM '000)
Profit before taxation	27,850	50,955
Taxation at applicable tax rate – 24% Adjustment mainly due to effect of "the Exempt Order", certain non-taxable income,	6,684	12,229
utilisation of capital and reinvestment allowance	(460)	(494)
Total Income Tax Expenses	6,224	11,735

#### **B8** Status of Corporate Proposals

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

During the period under review, a total of 1,417,000 ESOS options were exercised at subscription price of RM 3.63 per shares and granted with listing and quotation on the Main Market of Bursa Securities. As at 31 October 2017, the issued share capital of the Company increased to RM 156,161,561 included the capitalisation of ESOS reserve to share capital of RM 1,690,906.

Subsequent to the second quarter ended 31 October 2017, an additional of 21,000 and 22,000 ESOS options were exercised at subscription price of RM 3.63 per share which had been granted with listing and quotation on the Main Market of Bursa Securities on 15 November 2017 and 15 December 2017 respectively. With effect thereof, the total number of shares issued of the Company increased to 300,113,890.



#### **B9** Group Borrowings and Debts Securities

The Group borrowings and debts securities are as follows :

Current quarter ended 31/10/2017					
Group BorrowingsCurrencySecured/ UnsecuredType of borrowingRM'000					
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,192	
Short Term Borrowings	Ringgit Malaysia	Secured	-	-	
Total				1,192	

Preceding year corresponding quarter ended 31/10/2016					
Group BorrowingsCurrencySecured/ UnsecuredType of borrowingsR					
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	2,471	
Short Term Borrowings	Ringgit Malaysia	Secured	-	-	
Total				2,471	

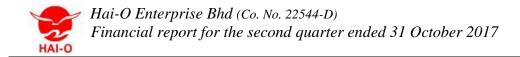
The short-term borrowings are solely comprised of trade facilities for working capital purpose which are denominated in RM currency. Apart from the working capital banking facilities, the Group does not have other drawn down banking facilities and the gearing level is negligible.

#### **B10** Changes in Material Litigation

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

#### **B11** Dividend payable

The Board of Directors is pleased to declare a single tier interim dividend of 6 sen per share in respect of the financial year ending 30 April 2018 (31/10/2017: 5 sen single tier interim dividend).

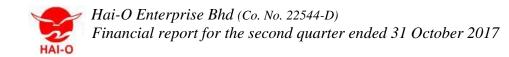


#### B12 Realised and Unrealised Profits/Losses Disclosure

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 31/10/2017 RM'000	As at 30/04/2017 RM'000 (Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised - Unrealised	163,943 1,562	157,169 953
	165,505	158,122
Total share of retained profits of an associate - Realised	(901)	(901)
Total share of retained profits of jointly controlled entities:		
- Realised - Unrealised	1,448	1,449
- Unreansed	(49)	(49)
	166,003	158,621
Less: Consolidation adjustments	(3,580)	(3,761)
Total Group retained profits as per consolidated accounts	162,423	154,860



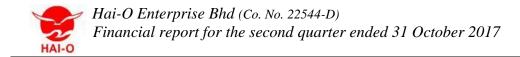
#### **B13** Earnings per share (EPS)

#### Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPON DING YEAR
	31/10/2017	31/10/2016 (restated)	31/10/2017	31/10/2016 (restated)
Earnings				
Net profit for the period attributable to equity holders of the parent (RM'000)	21,438	15,908	39,304	25,652
Weighted average number of shares ('000)	289,511	290,328	289,511	290,328
Weighted average number of shares for diluted EPS ('000)	289,883	-	289,883	-
Basic earnings per share (sen)	7.40	5.48	13.58	8.84
Dilutive earnings per share (sen)	7.39	n.a.	13.56	n.a.

#### 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 31/10/2017 RM' 000	PRECEDING YEAR CORRESPONDING QUARTER 31/10/2016 RM' 000	CURRENT YEAR TO DATE 31/10/2017 RM' 000	PRECEDING YEAR CORRESPONDING PERIOD 31/10/2016 RM' 000
Profit before taxation is arrived at after (charging)/crediting:				
Interest income	442	380	762	609
Other income including investment		200		007
Income	3,214	3,087	5,426	5,661
Interest expense	(15)		(75)	(80)
Depreciation and amortization	(980)	(890)	(1,938)	(1,768)
Provision for and write off of				
receivables	(176)	-	(176)	-
Provision for and write off of				
inventories	(55)	(52)	(238)	(107)
Gain or (loss) on disposal of quoted or unquoted investment and/or				
PPE	539	-	1,097	34
Reversal of impairment of assets	225	-	225	-
Foreign exchange gain /(loss):				
- Realised	(209)		(72)	432
- Unrealised	(1)	78	(17)	372
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-