



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

Unaudited Interim Financial Report
31 January 2018



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

Quarterly report on consolidated results for the financial period ended 31 January 2018
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 31 JANUARY 2018

	INDIVIDUAL PERIOD (3rd quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/1/2018	31/1/2017	31/1/2018	31/1/2017
	RM'000	RM'000	RM'000	RM'000
Revenue	103,067	107,178	351,132	285,618
Cost of sales	(63,652)	(72,282)	(227,913)	(193,100)
Gross Profit	39,415	34,896	123,219	92,518
Other income	5,421	3,595	10,847	9,256
Depreciation	(1,018)	(917)	(2,956)	(2,685)
Administrative expenses	(5,449)	(4,806)	(21,863)	(16,925)
Selling & distribution expenses	(13,598)	(11,274)	(33,512)	(27,594)
Other expenses	(200)	(104)	(897)	(405)
Operating Profit	24,571	21,390	74,838	54,165
Interest income	459	351	1,221	960
Finance costs	(35)	(33)	(110)	(113)
Share of profit/(loss) of equity-accounted investee, net of tax	26	1	27	(2)
Share of loss of associate company	-	(14)	-	(399)
Profit before tax	25,021	21,695	75,976	54,611
Tax expenses	(5,800)	(6,031)	(17,535)	(13,589)
Profit after tax	19,221	15,664	58,441	41,022
Profit attributable to:				
Owners of the parent	19,250	15,360	58,554	41,012
Non-controlling interest	(29)	304	(113)	10
	19,221	15,664	58,441	41,022
Earnings Per Share attributable to equity holders of the parent				
- Basic	6.64	5.29	20.18	14.12
- Diluted	6.63	-	20.16	-

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 January 2018
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**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JANUARY 2018**

	INDIVIDUAL QUARTER (3rd quarter)		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/1/2018	31/1/2017	31/1/2018	31/1/2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	19,221	15,664	58,441	41,022
Other comprehensive income				
- Foreign currency translation differences for foreign operations	69	(5)	112	(34)
Total comprehensive Income for the period	19,290	15,659	58,553	40,988
Total comprehensive income attributable to:				
Owners of the parent	19,319	15,355	58,666	40,978
Non-controlling Interest	(29)	304	(113)	10
	19,290	15,659	58,553	40,988

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 JANUARY 2018**

	AS AT CURRENT FINANCIAL PERIOD ENDED 31/1/2018 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2017 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	83,260	73,672
<i>Investment properties</i>	49,730	48,306
<i>Investment in jointly control entity</i>	2,188	2,160
<i>Investment in an associates</i>	-	-
<i>Other Investments</i>	12	236
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	452	295
<i>Deferred tax assets</i>	1,150	1,212
	136,877	125,966
Current Assets		
<i>Inventories</i>	92,067	71,707
<i>Trade and other receivables</i>	33,210	31,586
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	74,878	58,194
<i>Cash and Cash Equivalents</i>	60,097	76,848
	260,252	238,335
TOTAL ASSETS	397,129	364,301
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	156,581	149,327
<i>Treasury Shares</i>	(19,288)	(19,687)
<i>Other reserves</i>	1,228	314
<i>Retained earnings</i>	164,073	154,860
	302,594	284,814
Non-controlling interest	10,830	11,355
Total Equity	313,424	296,169
Non-current Liabilities		
<i>Borrowings</i>	-	-
<i>Deferred tax</i>	135	208
	135	208
Current Liabilities		
<i>Trade & other payables</i>	73,616	57,536
<i>Short term borrowings</i>	1,978	3,046
<i>Short-term provisions</i>	434	1,649
<i>Current tax payables</i>	7,542	5,693
	83,570	67,924
Total Liabilities	83,705	68,132
TOTAL EQUITY AND LIABILITIES	397,129	364,301
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.10	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 CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 JANUARY 2018**

	2018 9-month ended 31/1/2018 (RM '000)	2017 9-month ended 31/1/2017 (RM '000)
Profit before tax	75,976	54,611
Adjustment for :-		
Depreciation	2,956	2,685
Dividend income	(1,856)	(1,396)
Employees' share option expenses	2,597	-
Fair value (gain)/loss on other investments	(26)	(118)
Finance costs	110	113
Finance income	(1,221)	(960)
Gain on disposal of property, plant and equipment	(1,278)	(124)
Gain on disposal of other investment	(134)	-
Resale of treasury shares	(1,985)	-
Loss on disposal of subsidiary	-	1
Property, plant and equipment written off	26	61
Share of profit of equity-accounted investee, net of tax	(28)	2
Share of losses of Associated company	-	399
Provision for sales campaign	(1,215)	1,239
Reversal of impairment gain	(225)	-
Unrealised foreign exchange differences	67	(4)
Operating profit before changes in working capital	73,764	56,509
Changes in working capital		
<i>Inventories</i>	(20,360)	(4,762)
<i>Receipts from customers</i>	1,728	(161)
<i>Net Change in other receivables</i>	(3,652)	(3,479)
<i>Payment to suppliers, contractors and employees</i>	(5,068)	724
<i>Net Change in other payables</i>	3,645	2,470
<i>Payment of income taxes</i>	(15,554)	(12,005)
	(39,261)	(17,213)
Net cash flows from operating activities	34,503	39,296
Investing Activities		
<i>Accretion of equity interests in subsidiaries</i>	(62)	(21)
<i>Acquisition of other investments</i>	(63,666)	(72,330)
<i>Investment in subsidiary by non-controlling interest</i>	-	100
<i>Purchase of property, plant and equipment</i>	(14,539)	(7,417)
<i>Proceeds from disposal of other investment</i>	47,366	71,017
<i>Proceeds from disposal of property, plant and equipment</i>	2,066	141
<i>Dividend received</i>	1,856	1,396
<i>Interest received</i>	1,221	960
Net cash used in investing activities	(25,758)	(6,154)
Financing Activities		
<i>Proceeds from issue of shares</i>	5,459	-
<i>Proceeds from resale of treasury shares</i>	3,340	-
<i>Purchase of Company's own share</i>	(956)	(1,046)
<i>Interest paid</i>	(110)	(113)
<i>Dividend paid</i>	(31,983)	(21,454)
<i>Repayment / drawdown of trade facilities</i>	(1,068)	1,892
Net cash used in financing activities	(25,318)	(20,721)
Net Changes in Cash & Cash Equivalents	(16,573)	12,421
Effect of exchange rate & fluctuations on cash held	(178)	(20)
Cash & Cash Equivalents at beginning of financial period	76,848	53,712
Cash & Cash Equivalents at end of the financial period	60,097	66,113

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.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JANUARY 2018**

	Attributable to Equity Holders of the Parent					Non-controlling interest	Total Equity	
	Share Capital	Non distributable		Distributable				
	Treasury shares	Exchange fluctuation reserve	Capital reserve	Retained Earnings	Total			
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
9-month ended 31 January 2018								
Balance as at 1 May 2017	149,327	(19,687)	(343)	657	154,860	284,814	11,355	296,169
Profit for the period	-	-	-	-	58,554	58,554	(113)	58,441
Other comprehensive income for the period	-	-	112	-	-	112	-	112
Total comprehensive income for the period	-	-	112	-	58,554	58,666	(113)	58,553
Employees ' share option reserve	1,794	-	-	802	-	2,596	-	2,596
Share issued pursuant to ESOS	5,460	-	-	-	-	5,460	-	5,460
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	127	127	(189)	(62)
Dividend	-	-	-	-	(49,468)	(49,468)	(223)	(49,691)
Resale of Company's treasury shares	-	1,355	-	-	-	1,355	-	1,355
Purchase of Company's own shares	-	(956)	-	-	-	(956)	-	(956)
Balance at end of financial period	156,581	(19,288)	(231)	1,459	164,073	302,594	10,830	313,424
9-month ended 31 January 2017								
Balance as at 1 May 2016	101,095	(18,641)	(183)	657	174,445	257,373	11,607	268,980
Profit for the period	-	-	-	-	41,012	41,012	10	41,022
Other comprehensive income for the period	-	-	(34)	-	-	(34)	-	(34)
Total comprehensive income for the period	-	-	(34)	-	41,012	40,978	10	40,988
Investment by non-controlling interests in subsidiary	-	-	-	-	-	-	100	100
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	43	43	(64)	(21)
Dividend	-	-	-	-	(30,872)	(30,872)	(228)	(31,100)
Purchase of Company's own shares	-	(1,046)	-	-	-	(1,046)	-	(1,046)
Balance at end of financial period	101,095	(19,687)	(217)	657	184,628	266,476	11,425	277,901

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 January 2018 are as follows:

	Number of Treasury shares	Total Cost Consideration RM
Balance as at 1 Nov 2017	9,316,988	19,907,101
Repurchased during the quarter	141,000	735,525
Resale during the quarter	(634,000)	(1,354,633)
Balance as at 31 Jan 2018	8,823,988	19,287,993

The repurchase transactions were financed by internally generated funds.

The Company resale of 634,000 ordinary shares for a total consideration of RM 3,339,373. As at 20 March 2018, the treasury shares held were 9,038,288 shares with total purchase consideration of RM 20,325,873.

A6 Dividend paid

The first single tier interim dividend of 6 sen per ordinary share amounting to RM 17,484,894 in respect of the current financial year ending 30 April 2018 was paid on 8 March 2018.

A7 Segment information

Details of segmental analysis for the period ended 31 January 2018 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	273,441	46,633	27,810	3,248	-	351,132
Inter-segment revenue	205	133,783	4	12,995	(146,987)	-
Total revenue	273,646	180,416	27,814	16,243	(146,987)	351,132
RESULT						
Segment profit/(loss)	52,481	18,717	84	3,870	(314)	74,838
Finance costs						(110)
Interest income						1,221
Share of loss of equity-accounted investee, net of tax						27
Share of loss of associated company						-
Profit before taxation						75,976
Income tax expenses						(17,535)
Net profit for the period						58,441



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	158,701	171,408	34,084	32,936	-	397,129
Segment liabilities	32,014	48,340	1,693	1,658	-	83,705

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 January 2018.

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 1,000 ordinary shares of Hai-O Raya Bhd, for a total cash consideration of RM 2,700 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 20/3/2018	As at 31/1/2018	As at 30/4/2017
	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 20/3/2018	As at 31/1/2018	As at 30/4/2017
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	819	819	1,013



A12 Capital commitment

The capital commitment of the Group for the period ended 31 January 2018 is as follows:

	Approved and contracted for	Approved but not contracted for
	RM'000	RM'000
Property, plant and equipment	3,707	2,944
Investment properties	-	1,846
Total	3,707	4,790

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 (3rd quarter)		Changes	Cumulative Period		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31/1/2018 (RM '000)	31/1/2017 (RM '000)		31/1/2018 (RM '000)	31/1/2017 (RM '000)	
Revenue	103,067	107,178	(3.8%)	351,132	285,618	22.9%
Gross Profit	39,415	34,896	12.9 %	123,219	92,518	33.2%
Operating Profit	24,571	21,390	14.9%	74,838	54,165	38.2%
Profit Before Tax	25,021	21,695	15.3%	75,976	54,611	39.1%
Profit After Tax	19,221	15,664	22.7%	58,441	41,022	42.5%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	19,250	15,360	25.3%	58,554	41,012	42.8%



Statement of profit & loss and other comprehensive income

For the nine month period ended 31st January 2018, the Group recorded a higher revenue of RM 351.1 million as compared to the previous financial year of RM 285.6 million, an increase of 22.9%. The increase was mainly attributed by the increase in revenue from Wholesale and Multi-level marketing (“MLM”) divisions. The Wholesale division recorded an increase in revenue by 16.0% to RM 46.6 million as compared to previous year of RM 40.2 million mainly attributable to higher sales generated from health tonic and Chinese tea. Revenue from the MLM division increased by 28.2% to RM 273.4 million was driven by higher sales for most of the products. Revenue from Retail division decreased marginally by 3.4% to RM 27.8 million whereas revenue from Other division was maintained at about RM 3.3 million.

The Group’s pre-tax profit increased by 39.1% to RM 76.0 million after recognizing employees’ share option (“ESOS”) expense of RM 2.6 million as compared to previous year corresponding period of RM 54.6 million. The increase in pre-tax profit was mainly contributed by the MLM and Wholesale divisions. The gain from resale of treasury shares amounting to approximate RM 2.0 million also contributed higher profit in the period under review. The Group’s net margin improved by 2.3% to 16.7% due mainly from the 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 302.6 million, an increase of 6.3% as compared to previous financial year ended 30 April 2017 of RM 284.8 million, after taking into account the profit attributable to owners of the company of RM 58.6 million and acquisition of additional interest in a subsidiary. The final dividend in respect of previous financial year of RM 32.0 million was paid on 22 November 2017 and the proposed interim dividend of RM 17.5 million in respect of current financial year ending 30 April 2018 was accounted for as an appropriation of retained earnings in the quarter under review. A total of 1,504,000 ESOS options (“Hai-O shares”) were exercised and listed on the Main Market of Bursa Securities. An amount of RM 1.8 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 156.6 million accordingly.

The Group’s total assets as at 31 January 2018 were RM 397.1 million (FYE 30.4.2017: RM 364.3 million). The increase in total assets by RM 32.8 million included additional property, plant and equipment amounting to RM 9.6 million in respect of upgrading and re-location of two existing outlets in retail division and a new warehouse in MLM division. The increase in inventories from RM 71.7 million to RM 92.1 million was in tandem with the increase in sales as the Group required to have sufficient stocks to meet its higher sales requirement especially to cater for the Chinese New Year festive sales. Furthermore the MLM division is keeping higher inventories including newly launched product series for the sales campaign to be carried out in the next quarter.

The Group’s total liabilities were RM 83.7 million (FYE 30.4.2017: RM 68.1 million). This was mainly due to the decrease in trade and other payables and tax payables.

The net assets per share increased to RM 1.10 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 135.0 million.

The net cash flow from operating activities was RM 34.5 million primarily generated from the operating profit of the three main divisions with MLM and Retail divisions' sales mainly transacted in cash despite an outflow for higher inventories, payment to suppliers, contractors and employees and income tax payment. The net cash used in investing activities included the placement of excess fund in money market to earn higher return and purchase of property, plant and equipment with a total outflow of RM 25.8 million. Whereas net cash used in financing activities was an outflow of RM 25.3 million after dividend payment of RM 32.0 million. As a result, the Group recorded a net decrease in cash and cash equivalent by RM 16.6 million to RM 60.1 million at end of the financial period.

Segmental Analysis

Current quarter compared to the preceding year's corresponding quarter

For the third quarter under review, the Group recorded lower revenue of RM 103.1 million as compared to RM 107.2 million of the preceding year's corresponding quarter, decreased marginally by 3.8%. In contrast, the Wholesale division has done exceptionally well and lifted up the overall pre-tax profit by 15.3% to RM 25.0 million :

(i) MLM division

The revenue decreased by about 4.9% to RM 75.5 million as compared to the preceding year's corresponding quarter. The 3rd quarter was the quiet months after the completion of the overseas incentive trip promotion campaign and 25th year anniversary grand sales promotion in the 2nd quarter of current financial year. As opposed to the preceding year's corresponding quarter, revenue was recorded higher mainly due to higher contribution from incentive trip campaign which was ended in the 3rd quarter of the preceding year.

The pre-tax profit was reduced by 15.2% to RM 14.5 million mainly due to lower revenue recorded and higher marketing costs incurred for the 25th year anniversary grand sales promotion.

(ii) Wholesale division

The revenue from external sales increased by RM 2.9 million or 20.1% to RM 17.1 million as compared to the preceding year's corresponding quarter of RM 14.2 million. The increase in revenue was mainly contributed by higher sales generated from Chinese medicated tonic and Chinese tea. The pre-tax profit increased by more than double to RM 8.9 million mainly generated from its premium Chinese medicate tonic and sales of vintage Puer tea. Furthermore, gain from resale of treasury sales amounting to approximately RM 2.0 million and higher contribution from inter-segment sales had further contributed to the increase in the pre-tax profit.



(iii) Retail division

The pre-Chinese New Year (“CNY”) sales fell in the 4th quarter of this current financial year has resulted this division recorded a revenue and pre-tax profit of RM 9.3 million and RM 0.1 million as compared to higher based of the preceding year’s corresponding quarter.

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

For the nine month ended 31 January 2018, the Group recorded higher revenue and pre-tax profit of RM 351.1 million and RM 76.0 million as compared to RM 285.6 million and RM 54.6 million, representing an increase of 22.9% and 39.1% respectively for the preceding year’s corresponding period. The increase in the Group’s revenue was mainly contributed by the Wholesale and MLM divisions :

(i) MLM division

The division recorded higher revenue and pre-tax profit of RM 273.4 million and RM 53.5 million as compared to previous year of RM 213.3 million and RM 43.1 million, increased by 28.2% and 24.0% respectively. The overall increase in revenue was mainly derived from higher sales for most of the products coupled with additional contribution from new products launched during the first half of the financial year. The positive response from members and ongoing intensive member recruitment program had contributed to the increase in revenue. Furthermore, the 25th 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 and increase in operating costs of about RM5 million, the pre-tax profit increased by 24.0% from RM 43.1 million to RM 53.5 million which was driven by higher revenue and wider product range introduced during the financial year.

(ii) Wholesale division

The aggressive marketing strategies carried out by sales team helped to boost up the revenue by about 16.0% to RM 46.6 million as compared to the preceding year’s corresponding period of RM 40.2 million, mainly attributable to higher sales from premium Chinese medicated tonic and Chinese tea.

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 6.0 million to about RM 18.6 million mainly attributed to higher contribution from sales of high margin Chinese medicated tonic and vintage puer tea. Furthermore, higher profit generated from inter-segment sales to MLM and Retail divisions also helped to contribute to its bottom line. Besides, gain from the resale of treasury shares amounting to approximately RM 2.0 million was added on to the profit.

(iii) Retail division

The revenue was recorded higher in the preceding year’s corresponding period of nine months as compared to current financial period of RM 27.8 million, decreased marginally by 3.4%. The pre-CNY sale fell in the 4th quarter of this current financial year as opposed to 3rd quarter of last financial year has resulted lower revenue for the current nine month period ended 31 January 2018.



(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 3.3 million as compared to the preceding year's corresponding quarter. The pre-tax profit was lowered by about 13.0%, from RM 4.5 million to RM 3.9 million due to higher imported raw material costs in the manufacturing division during the period under review and after the 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 preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes
	31/1/2018 (RM '000)	31/10/2017 (RM '000)	
Revenue	103,067	123,528	(16.6%)
Gross Profit	39,415	42,700	(7.7%)
Operating Profit	24,571	27,421	(10.4%)
Profit Before Tax	25,021	27,850	(10.2%)
Profit After Tax	19,221	21,626	(11.1%)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	19,250	21,438	(10.2%)



For the third quarter under review, the Group recorded lower revenue and pre-tax profit of RM 103.1 million and RM 25.0 million, decreased by 16.6% and 10.2% as compared with the immediate preceding quarter of RM 123.5 million and RM 27.9 million respectively, mainly attributable to lower revenue generated from the MLM and Retail divisions:

(i) MLM division

The revenue and pre-tax profit was lowered by 20.9% and 27.1% to RM 75.5 million and RM 14.5 million respectively as compared with the immediate preceding quarter. Higher in revenue and pre-tax profit was recorded in the immediate preceding quarter due to higher sales generated as a result of incentive trip promotion campaign and 25th year anniversary grand sales promotion. Therefore post anniversary and incentive months were usually quiet and also affected by the long year end school holiday in the quarter under review.

(ii) Wholesale division

The external revenue increased marginally by 4.0% to RM 17.1 million as compared with the immediate preceding quarter of RM 16.5 million. However, the pre-tax profit increased by about 42.9% from RM 6.2 million to RM 8.9 million mainly contributed by the gain from resale of treasury shares amounting to approximately RM 2.0 million and higher contribution from inter-segment sales.

(iii) Retail division

The revenue and pre-tax profit was lowered by RM 1.1 million and RM 0.4 million to RM 9.3 million and RM 0.1 million respectively as compared with the immediate preceding quarter. Higher revenue in the immediate preceding quarter was mainly derived from its half yearly members' sales promotion campaign. Lower pre-tax profit was recorded due to lower revenue achieved and higher operating costs incurred in the 3rd quarter.

B3 Commentary on prospects for the next quarter

The recovery of Ringgit Malaysia against USD currency resulted in a lower import costs which will bring positive impact to the Group. Nevertheless, challenges facing by the Group will continue to persist in view of uncertainties in the global economy and the Group is constantly looking into various measures to mitigate the business risks surrounding the operating environment.

The MLM division has recently launched its lifestyle related range of products and is optimistic that these new products will bring positive result to the division. The collaboration with well-known designers and appointment of product ambassador will enhance the Group's image in delivering good quality and fashionable wear to its members. The Wholesale division will continue to expand its customer base and source for more quality products. As bulk of the CNY sales will capture in the 4th quarter of this current financial year, the Retail division is confident to achieve higher revenue and profit in the next quarter.

In view of the above, the Board of Directors remains 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 January 2018 are as follow:

	RM '000
Not past due	16,301
Past due 1-30 days	1,573
Past due 31-60 days	869
Past due more than 60 days & not impaired	1,405
Past due more than 60 days & impaired	247
	<u>20,395</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 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
	31/1/2018 (RM '000)	31/1/2018 (RM '000)
Profit before taxation	25,021	75,976
Taxation at applicable tax rate – 24%	6,005	18,234
Adjustment mainly due to effect of “the Exempt Order”, certain non-taxable income, utilisation of capital and reinvestment allowance	(205)	(699)
Total Income Tax Expenses	5,800	17,535



B8 Status of Corporate Proposals

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

During the period under review, a total of 1,504,000 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 January 2018, the issued share capital of the Company increased to RM 156,581,188 included the capitalisation of ESOS reserve to share capital of RM 1,794,723.

Subsequent to the third quarter ended 31 January 2018, an additional 81,000 and 10,000 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 13 February 2018 and 13 March 2018 respectively. With effect thereof, the total number of shares issued of the Company increased to 300,248,890.

B9 Group Borrowings and Debts Securities

The Group borrowings and debts securities are as follows :

Current quarter ended 31/1/2018				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowing	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,978
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				1,978

Preceding year corresponding quarter ended 31/1/2017				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowings	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	3,006
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				3,006

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

The Board of Directors is pleased to declare a second single tier interim dividend of 3 sen per share in respect of the financial year ending 30 April 2018 .

The date of entitlement and payment will be advised later.

The total dividend declared for the financial year ending 30 April 2018 are as follows:

- i) First single tier interim dividend of 6 sen per share
- ii) Second single tier interim dividend of 3 sen per share

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 31/1/2018 RM'000	As at 30/4/2017 RM'000 (Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	166,468	157,169
- Unrealised	792	953
	167,260	158,122
Total share of retained profits of an associate		
- Realised	(901)	(901)
Total share of retained profits of jointly controlled entities:		
- Realised	1,422	1,449
- Unrealised	(49)	(49)
	167,732	158,621
Less: Consolidation adjustments	(3,659)	(3,761)
Total Group retained profits as per consolidated accounts	164,073	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
	31/1/2018	31/1/2017 (restated)	31/1/2018	31/1/2017 (restated)
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent (RM'000)	19,250	15,360	58,554	41,012
Weighted average number of shares ('000)	290,127	290,387	290,127	290,387
Weighted average number of shares for diluted EPS ('000)	290,497	-	290,497	-
Basic earnings per share (sen)	6.64	5.29	20.18	14.12
Dilutive earnings per share (sen)	6.63	n.a.	20.16	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	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/1/2018 RM' 000	31/1/2017 RM' 000	31/1/2018 RM' 000	31/1/2017 RM' 000
<i>Profit before taxation is arrived at after (charging)/crediting:</i>				
Interest income	459	351	1,221	960
Other income including investment Income	5,012	3,437	8,782	8,482
Interest expense	(35)	(33)	(110)	(113)
Depreciation and amortization	(1,018)	(917)	(2,956)	(2,685)
Provision for and write off of receivables	-	-	(176)	-
Provision for and write off of inventories	(52)	(78)	(290)	(185)
Gain or (loss) on disposal of quoted or unquoted investment and/or PPE	183	90	1,281	124
Reversal of impairment of assets	-	-	225	-
Foreign exchange gain/(loss):				
- Realised	170	(19)	98	412
- Unrealised	84	17	67	(4)
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-