



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

**Unaudited Interim Financial Report**  
**31 July 2010**



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 JULY 2010**

	AS AT END OF CURRENT QUARTER 31/07/2010 (RM'000)	Restated (Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2010 (RM'000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Property, Plant and Equipment</i>	61,843	61,739
<i>Investment properties</i>	26,609	26,842
<i>Prepaid lease payments</i>	1,674	1,682
<i>Other Investments</i>	-	1,390
<i>Financial assets at fair value through profit or loss</i>	1,201	-
<i>Available-for-sale investment</i>	226	-
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	914	830
<i>Deferred tax assets</i>	3,107	3,299
	<b>95,659</b>	<b>95,867</b>
<b>Current Assets</b>		
<i>Inventories</i>	45,351	43,959
<i>Trade and other receivables</i>	17,986	20,024
<i>Other Investments</i>	-	49,371
<i>Financial assets at fair value through profit or loss</i>	61,699	-
<i>Cash and Cash Equivalents</i>	52,524	70,911
	<b>177,560</b>	<b>184,265</b>
<b>TOTAL ASSETS</b>	<b>273,219</b>	<b>280,132</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
<i>Share capital</i>	101,095	101,095
<i>Treasury Shares</i>	(4,122)	(4,122)
<i>Other reserve</i>	555	530
<i>Retained earnings</i>	114,546	112,655
	<b>212,074</b>	<b>210,158</b>
<b>Non-controlling interests</b>	<b>7,444</b>	<b>7,374</b>
<b>Total Equity</b>	<b>219,518</b>	<b>217,532</b>
<b>Non-current Liabilities</b>		
<i>Borrowings</i>	12,543	13,187
<i>Deferred tax</i>	-	43
	<b>12,543</b>	<b>13,230</b>
<b>Current Liabilities</b>		
<i>Trade &amp; other payables</i>	25,837	32,473
<i>Short term borrowings</i>	5,426	4,792
<i>Short-term provision</i>	5,944	5,070
<i>Current tax payable</i>	3,951	7,035
	<b>41,158</b>	<b>49,370</b>
<b>Total Liabilities</b>	<b>53,701</b>	<b>62,600</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>273,219</b>	<b>280,132</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<b>1.06</b>	<b>1.05</b>

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2010 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 2010  
The figures have not been audited.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 JULY 2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2010	31/07/2009	31/07/2010	31/07/2009
	RM'000	RM'000	RM'000	RM'000
Revenue	54,751	148,572	54,751	148,572
Operating expenses	(45,531)	(123,589)	(45,531)	(123,589)
Other operating income	1,586	1,338	1,586	1,338
<b>Operating Profit</b>	<b>10,806</b>	<b>26,321</b>	<b>10,806</b>	<b>26,321</b>
Interest income	185	172	185	172
Finance costs	(206)	(206)	(206)	(206)
<b>Profit before taxation</b>	<b>10,785</b>	<b>26,287</b>	<b>10,785</b>	<b>26,287</b>
Income tax expenses	(2,911)	(7,768)	(2,911)	(7,768)
<b>Profit for the period</b>	<b>7,874</b>	<b>18,519</b>	<b>7,874</b>	<b>18,519</b>
<b>Profit attributable to:</b>				
Owner of the parent	7,804	18,463	7,804	18,463
Non-controlling Interest	70	56	70	56
	<b>7,874</b>	<b>18,519</b>	<b>7,874</b>	<b>18,519</b>
<b>Earnings Per Share attributable to equity holders of the parent</b>				
- Basic	3.91	22.17	3.91	22.17
- Diluted	0.00	0.00	0.00	0.00

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2010 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 2010  
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 31 JULY 2010**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2010	31/07/2009	31/07/2010	31/07/2009
	RM'000	RM'000	RM'000	RM'000
Profit for the period	7,874	18,519	7,874	18,519
Other comprehensive income				
- Fair value adjustment through financial assets	76	-	76	-
- Exchange differences on translating foreign operations	25	-	25	-
Total comprehensive Income for the period	7,975	18,519	7,975	18,519
<b>Total comprehensive income attributable to:</b>				
Owner of the parent	7,905	18,463	7,905	18,463
Non-controlling Interest	70	56	70	56
	7,975	18,519	7,975	18,519

*The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2010 and the accompanying explanatory notes attached to the interim financial statements.*



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 JULY 2010**

	Attributable to Equity Holders of the Parent						Non-controlling interests	Total Equity	
	Share Capital	Non distributable			Distributable				
		Treasury shares	Share premium	Exchange fluctuation reserve	Capital reserve	Retained Earnings			Total
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)		
<b>3 month ended 31 July 2010</b>									
Balance as at 1 May 2010	101,095	(4,122)	-	(127)	657	111,587	209,090	7,374	216,464
Effect of adopting FRS 139	-	-	-	-	-	1,068	1,068	-	1,068
As at 1 May 2010 (restated)	101,095	(4,122)	-	(127)	657	112,655	210,158	7,374	217,532
Profit for the period	-	-	-	-	-	7,804	7,804	70	7,874
Other comprehensive income for the period	-	-	-	25	-	76	101	-	101
Total comprehensive income for the period	-	-	-	25	-	7,880	7,905	70	7,975
Second interim dividend paid in respect of last financial year	-	-	-	-	-	(5,989)	(5,989)	-	(5,989)
<b>Balance at end of financial period</b>	<b>101,095</b>	<b>(4,122)</b>	<b>-</b>	<b>(102)</b>	<b>657</b>	<b>114,546</b>	<b>212,074</b>	<b>7,444</b>	<b>219,518</b>
<b>3 month ended 31 July 2009</b>									
Balance as at 1 May 2009	84,457	(3,912)	4,791	698	657	79,042	165,733	6,306	172,039
Other comprehensive income for the period	-	-	-	(69)	-	-	(69)	-	(69)
Profit for the period	-	-	-	-	-	18,463	18,463	56	18,519
Total comprehensive income for the period	-	-	-	(69)	-	18,463	18,394	56	18,450
Purchase of Company's own shares	-	(209)	-	-	-	-	(209)	-	(209)
<b>Balance at end of financial period</b>	<b>84,457</b>	<b>(4,121)</b>	<b>4,791</b>	<b>629</b>	<b>657</b>	<b>97,505</b>	<b>183,918</b>	<b>6,362</b>	<b>190,280</b>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2010 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 2010**

	<b>2010</b> <b>3 month</b> <b>ended</b> <b>31/Jul/10</b> <b>(RM '000)</b>	<b>2009</b> <b>3 month</b> <b>ended</b> <b>31/Jul/09</b> <b>(RM '000)</b>
Net Profit before tax	10,785	26,287
Adjustment for non-cash flow :-		
Non-cash items	1,667	2,089
Non-operating items	(549)	(194)
Operating profit before changes in working capital	<b>11,903</b>	<b>28,182</b>
Changes in working capital		
<i>Net Change in current assets</i>	401	(8,599)
<i>Net Change in current liabilities</i>	(6,687)	5,204
<i>Tax paid</i>	(5,883)	(5,116)
	(12,169)	(8,511)
<b>Net cash flows from operating activities</b>	<b>(266)</b>	<b>19,671</b>
Investing Activities		
<i>Other investment</i>	(11,916)	1,620
<i>Quoted investment</i>	-	(38)
<b>Net cash used in investing activities</b>	<b>(11,916)</b>	<b>1,582</b>
Financing Activities		
<i>Purchase of Company's own share</i>	-	(209)
<i>Dividend paid</i>	(5,989)	-
<i>Interest paid</i>	(206)	(206)
<i>Borrowing</i>	(10)	(232)
<b>Net cash used in financing activities</b>	<b>(6,205)</b>	<b>(647)</b>
Net Changes in Cash & Cash Equivalents	(18,387)	20,606
Cash & Cash Equivalents at beginning of financial period	70,911	50,725
<b>Cash &amp; Cash Equivalents at end of the financial period</b>	<b>52,524</b>	<b>71,331</b>

*The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 30 April 2010 and the accompanying explanatory notes attached to the interim financial statements.*



## A. Notes To The Interim Financial Report

### A1 Basis of preparation

The interim financial statements have been prepared in accordance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

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 2010.

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 2010.

### A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 April 2010 except for the adoption of the following new and amended FRS and IC Interpretations effective for financial period beginning on or after 1 May 2010:

*Effective for financial period beginning on or after 1 July 2009*

FRS 8 Operating Segments

*Effective for financial period beginning on or after 1 January 2010*

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurements
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial instruments: Cost of an Investment in a subsidiary, Jointly Controlled Entity or associates
Amendments to FRS2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS8	Operating Segments
Amendments to FRS 107	Statements of Cash Flows
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimated and Errors
Amendments to FRS 110	Events after the Reporting Period
Amendments to FRS 116	Property, plant and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 119	Employee Benefits
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements



Amendments to FRS 128	Investments in Associates
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economics
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

*Effective for financial period beginning on or after 1 March 2010*

Amendments to FRS 132	Classification of Rights Issues
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The FRSs which are effective commencing 1 January 2010 and have significant impact on the financial statements of the Group are:

- a) FRS 101 Presentation of Financial Statements  
Changes in financial statements presentation have been adopted by the Group
- b) FRS 139 Financial Instruments: Recognition and Measurement  
Financial assets at fair value through profit or loss (“FVTPL”) are measured at fair value and fair value changes are recognized directly in profit or loss. Available-for-sale (“AFS”) financial assets are measured at fair value and changes in the fair value are recognised directly in equity as “available-for-sale reserve” except for impairment losses which are recognized in profit or loss.

*Impact on opening balance*

In accordance with the transitional provision for first time adoption of FRS 139, the above changes are applied prospectively and the comparative as at 30 April 2010 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the Statement of Changes in Financial Position as at 1 May 2010.





*Impact on opening balance (continued)*

	As previously reported	Effects of adoption of FRS139	As restated
	RM '000	RM '000	RM '000
<b><u>Assets</u></b>			
Other Investments (Non-current) – FVTPL and AFS	450	940	1,390
Other investment (current) - FVTPL	49,243	128	49,371
<b><u>Equity</u></b>			
Retained earnings	111,587	1,068	112,655

c) FRS 4 Insurance contract

The Group has adopted FRS 4 in relation to corporate financial guarantee contracts.

The adoption of other new and revised FRSs, IC Interpretations and Amendments has no effect to the Group's consolidated financial statements of the current quarter or the comparative consolidated financial statements of the prior financial year.

**A3 Audit report of preceding annual financial statement**

The preceding year annual financial statements were not subject to any qualification.

**A4 Seasonal or cyclical factors**

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

**A5 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.

**A6 Material changes in estimates**

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



**A7 Debt 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:-

- a) The details of shares held as treasury shares for the period ended 31 July 2010 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 May 2010	2,536,688	4,121,496
Repurchased during the quarter	0	0
Balance as at 31 July 2010	2,536,688	4,121,496

There were no additional repurchase of shares since 1 May 2010.

**A8 Dividend paid**

A second interim dividend of 4 sen gross, (2009: nil), less tax, amounting to RM 5,989,608 in respect of the financial year ended 30 April 2010 was paid on 20 May 2010.

**A9 Segment information**

Details of segmental analysis for the period ended 31 July 2010 are as follows:

**Business Segment of the Group**

	Wholesale	Multi-Level Marketing	Retailing	Manufacturing	Energy	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM'000	RM '000	RM '000	RM '000
<b>REVENUE</b>								
External sales	9,851	35,241	8,158	408	-	1,093	-	54,751
Inter-segment sales	12,093	-	-	1,558	-	2,055	(15,706)	-
Total revenue	21,944	35,241	8,158	1,966	-	3,148	(15,706)	54,751
<b>RESULT</b>								
Segment result	2,590	6,361	307	241	(570)	1,087	790	10,806
Unallocated corporate expenses								-
Operating profit								10,806
Interest expense								(206)
Interest income								185
Profit before taxation								10,785
Taxation								(2,911)
Net profit for the period								7,874



#### A10 Property, plant and equipment

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

#### A11 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 31 July 2010 up to the date of this report.

#### A12 Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period except for the following:

On 16 July 2010, the Company had subscribed an additional 600,000 ordinary shares of RM1 each in Hai-O Energy (M) Sdn Bhd (“Hai-O Energy”) for a total cash consideration of RM 600,000. With effect thereof, the issued and paid-up capital of Hai-O Energy had increased to RM 3,400,000 comprising of 3,400,000 ordinary shares of RM 1 each.

#### A13 Contingent liabilities

The changes in contingent liabilities of the Company and the Group since the last annual balance sheet date are as follows :-

<u>Company</u>	As at 21 Sept 2010	As at 31 July 2010	As at 30 Apr 2010
	RM ‘000	RM ‘000	RM ‘000
Corporate guarantee in respect of credit facilities granted to subsidiary companies	1,586	1,586	1,586
	<u>1,586</u>	<u>1,586</u>	<u>1,586</u>
<u>Group</u>	As at 21 Sept 2010	As at 31 July 2010	As at 30 Apr 2010
	RM ‘000	RM ‘000	RM ‘000
Bank guarantee given to third parties in respect of services rendered to the Company	2,966	2,086	1,776
	<u>2,966</u>	<u>2,086</u>	<u>1,776</u>



#### **A14 Capital commitment**

The capital commitment of the Group for the period ended 31 July 2010 are as follows:

	RM '000
1) Approved and contracted for in respect of R&D expenditure.	820
2) Approved but not yet contracted for in respect of capital expenditure on pharmaceutical factory	10,123
	<u>10,943</u>

#### **Additional Information Required By The BMSB - Listing Requirements**

##### **B1 Review of performance of the Company and its principal subsidiaries for the current quarter and financial year-to-date**

For the first quarter ended 31 July 2010, the Group recorded lower revenue and pre-tax profit of RM 54.75 million and RM 10.79 million as compared to RM 148.57 million and RM 26.29 million of the corresponding quarter of the preceding year respectively. The drop in revenue and profit was mainly due to lower revenue recorded by the multi-level marketing ("MLM") division. The effects of applying stringent rules on new members' recruitment and enhancement of stockists' management and professionalism since last financial year still need a longer time for the division and distributors to realign their business strategies. Despite the increased external sales of the wholesale division, pre-tax profit is lower compared to the preceding year as a result of lower profit contribution from its inter-segment sales .

However, the Group's operating profit margin of the current quarter had increased by about 2% compared to the previous corresponding quarter, mainly contributed from its higher margin products' sales, weakening of USD against Malaysian Ringgit which have contributed in reducing imported costs plus the improvement in operating efficiency.

##### **B2 Material changes for the current quarter as compared with the immediate preceding quarter**

For the first quarter under review, the Group recorded lower revenue and pre-tax profit of RM 54.75 million and RM 10.79 million as compared to the immediate preceding quarter of RM 98.84 million and RM 15.78 million respectively. The retail division registered higher revenue and pre-tax profit in the immediate preceding quarter, contributed mainly from the sales made during the Chinese Lunar New Year promotion. The MLM division is currently going through a consolidation stage as mentioned above and therefore, this had affected the revenue and pre-tax profit.

Higher external revenue and pre-tax profit were achieved in the wholesale division as the division is currently having sales incentive promotion, which had encouraged majority of its customers to place more orders during the period.



**B3 Commentary on prospect**

Despite the stronger economic growth in the 1<sup>st</sup> half of 2010 with GDP grew by 9.5%, the 2<sup>nd</sup> half of 2010 has shown signs of slowdown, especially for the export demand of the manufacturing sector. Interest rate hike coupled with the recent measures taken by the government to reduce subsidies for various household items may have negative impact on domestic consumer spending. However, the Group will continue to strengthen its core business and better strategize its marketing plan to meet a more challenging business operating environment.

Therefore the Board of Directors is of the opinion that the Group will continue to perform profitably in the next quarter.

**B4 Profit Forecast**

There is no profit forecast.

**B5 Taxation**

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

For the current quarter, the effective tax rate of the Group is higher than the statutory tax rate due mainly to certain expenses which are not deductible for tax purpose and losses of certain subsidiary companies cannot be set off against profits of certain subsidiaries as no Group relief is available for tax purposes.

	Current Quarter Ended 31 July 2010 (RM '000)	Current year to date 31 July 2010 (RM '000)
Profit before taxation	10,785	10,785
Taxation at applicable tax rate – 25%	2,696	2,696
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets.	215	215
Total Taxation expenses	2,911	2,911

**B6 Profits on Sale of Unquoted Investment and / or Properties**

There were no profits on sale of unquoted investments and properties for the current quarter and financial year-to-date.



**B7 Purchase or Disposal of Quoted Securities**

- a) There were no purchase or disposal of quoted securities for the current quarter and current year to date.
- b) The details of all investments in quoted securities at the end of the reporting financial period are as follows :-

	RM'000
Total investment at cost	226
Total investment at book value/carrying amount	1,201
Total investment at market value at the end of reporting period	1,201

**B8 Corporate Proposals**

There were no corporate proposals for the period under review .

**B9 Group Borrowings and Debts Securities**

The Group borrowings and debts securities as at the end of the reporting financial period are :

Group Borrowings	Currency	Secured/ Unsecured	RM'000
Short Term Borrowings	Malaysia Ringgit	Unsecured	2,951
Short Term Borrowings	Malaysia Ringgit	Secured	2,475
Long Term Borrowings	Malaysia Ringgit	Secured	12,543
Total			17,969

**B10 Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk for the period ended 31 July 2010.

**B11 Material Litigation**

The Group has 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.

**B12 Dividend Payable**

No interim dividend has been declared for the period under review (31/7/2009: nil)



### B13 Earnings per share (EPS)

#### Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jul -10	PRECEDING YEAR CORRESPONDING QUARTER 31-Jul -09	CURRENT YEAR TO DATE 31-Jul -10	PRECEDING YEAR CORRESPONDING PERIOD 31-Jul-09
<i>Earnings</i>				
Net profit for the year attributable to equity holders of the parent	7,804	18,463	7,804	18,463
Weighted average number of shares ('000)	199,654	83,273	199,654	83,273
Basic earnings per share (sen)	3.91	22.17	3.91	22.17

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