



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

Unaudited Interim Financial Report
31 July 2019



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

Quarterly report on consolidated results for the financial period ended 31 July 2019
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 31 JULY 2019

	INDIVIDUAL PERIOD (1st Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2019	31/07/2018	31/07/2019	31/07/2018
	RM'000	RM'000	RM'000	RM'000
Revenue	66,061	80,085	66,061	80,085
Cost of sales	(40,887)	(47,914)	(40,887)	(47,914)
Gross Profit	25,174	32,171	25,174	32,171
Other income	873	959	873	959
Depreciation	(1,557)	(1,137)	(1,557)	(1,137)
Administrative expenses	(5,777)	(7,367)	(5,777)	(7,367)
Selling & distribution expenses	(8,222)	(10,126)	(8,222)	(10,126)
Other expenses	(503)	(328)	(503)	(328)
Operating Profit	9,988	14,172	9,988	14,172
Finance income	255	315	255	315
Finance costs	(68)	(52)	(68)	(52)
Share of profit/(loss) of equity-accounted investee, net of tax	21	4	21	4
Share of loss of associate company	-	-	-	-
Profit before tax	10,196	14,439	10,196	14,439
Tax expenses	(2,667)	(3,779)	(2,667)	(3,779)
Profit after tax	7,529	10,660	7,529	10,660
Profit attributable to:				
Owners of the parent	7,743	10,997	7,743	10,997
Non-controlling interest	(214)	(337)	(214)	(337)
	7,529	10,660	7,529	10,660
Earnings Per Share attributable to equity holders of the parent				
- Basic	2.67	3.78	2.67	3.78
- Diluted	-	3.77	-	3.77

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2019 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 2019
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**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JULY 2019**

	INDIVIDUAL PERIOD (1st Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/07/2019	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2018	CURRENT YEAR TO DATE 31/07/2019	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	7,529	10,660	7,529	10,660
Other comprehensive income				
- Foreign currency translation differences for foreign operations	30	2	30	2
Total comprehensive Income for the period	7,559	10,662	7,559	10,662
Total comprehensive income attributable to:				
Owners of the parent	7,773	10,999	7,773	10,999
Non-controlling Interest	(214)	(337)	(214)	(337)
	7,559	10,662	7,559	10,662

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2019 and the accompanying explanatory notes attached to the interim financial statements.



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2019**

	AS AT CURRENT FINANCIAL PERIOD ENDED 31/7/2019 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2019 (RM'000) (Audited)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	94,106	97,147
<i>Right-of-use assets</i>	4,874	-
<i>Investment properties</i>	47,668	45,659
<i>Investment in jointly control entity</i>	2,209	2,188
<i>Investment in an associates</i>	-	-
<i>Other Investments</i>	12	12
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	1,435	1,521
<i>Deferred tax assets</i>	961	1,025
	151,350	147,637
Current Assets		
<i>Inventories</i>	97,007	98,122
<i>Trade and other receivables</i>	24,376	23,364
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	46,177	41,321
<i>Cash and Cash Equivalents</i>	53,877	53,792
	221,437	216,599
TOTAL ASSETS	372,787	364,236
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	157,257	157,257
<i>Treasury Shares</i>	(24,053)	(24,053)
<i>Other reserves</i>	981	951
<i>Retained earnings</i>	182,490	176,064
	316,675	310,219
Non-controlling interest	10,210	10,456
Total Equity	326,885	320,675
Non-current Liabilities		
<i>Borrowings</i>	-	-
<i>Lease Liabilities</i>	4,202	-
<i>Deferred tax</i>	722	643
	4,924	643
Current Liabilities		
<i>Trade & other payables</i>	35,318	38,536
<i>Short term borrowings</i>	242	289
<i>Short-term provisions</i>	1,961	1,529
<i>Lease Liabilities</i>	1,852	-
<i>Contract Liabilities</i>	1,574	1,723
<i>Current tax payables</i>	31	841
	40,978	42,918
Total Liabilities	45,902	43,561
TOTAL EQUITY AND LIABILITIES	372,787	364,236
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.09	1.07

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2019 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 2019**

	2020 3-month ended 31/07/2019 (RM '000)	2019 3-month ended 31/07/2018 (RM '000)
Profit before tax	10,196	14,439
Adjustment for :-		
Depreciation on property, plant and equipment & IP	1,182	1,137
Depreciation on right-of-use assets	375	-
Dividend income	(284)	(338)
Equity settled share-based payment transaction	-	55
Fair value (gain) / loss on other investments	(73)	(2)
Finance costs	68	52
Finance income	(255)	(315)
Property, plant and equipment written off	1	-
Share of profit of equity-accounted investee, net of tax	(21)	(4)
Provision for sales campaign	432	(1,738)
Reversal of impairment gain	-	89
Unrealised foreign exchange differences	55	137
Operating profit before changes in working capital	11,676	13,512
Changes in working capital		
<i>Inventories</i>	1,115	(13,597)
<i>Receipts from customers</i>	(2,870)	9,088
<i>Net Change in other receivables</i>	3,757	295
<i>Payment to suppliers, contractors and employees</i>	(2,828)	264
<i>Net Change in other payables</i>	(493)	(2,171)
	(1,319)	(6,121)
Cash generated from operations		
<i>Payment of income taxes</i>	(5,147)	(5,868)
<i>Finance cost</i>	(63)	-
Net cash flows from operating activities	5,147	1,523
Investing Activities		
<i>Accretion of equity interests in subsidiaries</i>	(80)	(8)
<i>Acquisition of other investments</i>	(5,500)	-
<i>Purchase of property, plant and equipment & IP</i>	(88)	(5,247)
<i>Proceeds from disposal of other investment</i>	1,001	5,004
<i>Interest received</i>	255	315
Net cash from / (used in) investing activities	(4,412)	64
Financing Activities		
<i>Purchase of Company's own share</i>	-	(834)
<i>Proceeds from issue of share</i>	-	28
<i>Proceeds from resale of treasury share</i>	-	(8,728)
<i>Payment of lease liabilities</i>	(527)	-
<i>Interest paid on loans and borrowings</i>	(5)	(52)
<i>Repayment / drawdown of trade facilities</i>	(47)	(385)
Net cash from / (used in) financing activities	(579)	(9,971)
Net Changes in Cash & Cash Equivalents	156	(8,384)
Effect of exchange rate & fluctuations on cash held	(71)	(109)
Cash & Cash Equivalents at beginning of financial period	53,792	68,674
Cash & Cash Equivalents at end of the financial period	53,877	60,181

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2019 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JULY 2019**

	Attributable to Equity Holders of the Parent					Distributable Retained Earnings	Total	Non-controlling interest	Total Equity
	Share Capital	Treasury shares	Non distributable Exchange fluctuation reserve	Capital reserve	Share option reserve				
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
3-month ended 31 July 2019									
Balance as at 1 May 2019	157,257	(24,053)	(303)	657	597	176,064	310,219	10,456	320,675
Initial application of MFRSs adjustments	-	-	-	-	-	(1,269)	(1,269)	-	(1,269)
Profit for the period	-	-	-	-	-	7,743	7,743	(214)	7,529
Other comprehensive income for the period	-	-	30	-	-	-	30	-	30
Total comprehensive income for the period	-	-	30	-	-	7,743	7,773	(214)	7,559
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	(48)	(48)	(32)	(80)
Purchase of Company's own shares	-	-	-	-	-	-	-	-	-
Balance at end of financial period	157,257	(24,053)	(273)	657	597	182,490	316,675	10,210	326,885

3-month ended 31 July 2018

Balance as at 1 May 2018	157,092	(21,581)	(56)	1,334		171,116	307,905	11,019	318,924
Initial application of MFRSs adjustments	-	-	-	-		404	404	-	404
Profit for the period	-	-	-	-		10,997	10,997	(337)	10,660
Other comprehensive income for the period	-	-	2	-		-	2	-	2
Total comprehensive income for the period	-	-	2	-		10,997	10,999	(337)	10,662
Employees' share option reserve	28	-	-	(28)		-	-	-	-
Share issued pursuant to ESOS	83	-	-	-		-	83	-	83
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-		17	17	(25)	(8)
Purchase of Company's own shares	-	(834)	-	-		-	(834)	-	(834)
Balance at end of financial period	157,203	(22,415)	(54)	1,306		182,534	318,574	10,657	329,231

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2019 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 Standards 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 2019.

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 2019.

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 2019 except for the adoption of new standards, amendments and interpretation that have been issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for the Group effective for annual periods beginning on or after 1 January 2019 as stated below:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The adoption of the above accounting standards, amendments and interpretation are not expected to have any material financial impacts to the current period and prior period financial statements of the Group except as mentioned below:



MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard MFRS 117 which continues to be classified as finance or operating lease.

The Group adopted MFRS 16 using modified retrospective method of adoption. The comparative figures were not restated and the cumulative impact arising from the adoption was recognized in retained earnings as at 1 May 2019.

Statement of financial position

The impact of adopting the MFRS 16 to opening balance is as follows :

1 May 2019	As previously reported	Retrospective adjustment of MFRS 16	After MFRS 16 Adjustments
	RM	RM	RM
Assets			
Right-of-use assets	-	5,249,200	5,249,200
Impact to assets	-	5,249,200	5,249,200
Liabilities			
Current Lease liabilities	-	1,868,263	1,868,263
Non-current Lease liabilities	-	4,649,464	4,649,464
Impact to liabilities	-	6,517,727	6,517,727
Equity			
Retained earnings	176,063,804	(1,268,527)	174,795,277



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 were 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.

- i) The details of shares held as treasury shares for the period ended 31 July 2019 are as follows:

	Number of Treasury shares	Total Cost Consideration RM
Balance as at 1 May 2019	9,932,388	24,053,244
Repurchased during the quarter	-	-
Balance as at 31 July 2019	9,932,388	24,053,244

Subsequent to the first quarter ended 31 July 2019, there was no additional purchase of treasury shares.

- ii) During the period under review and subsequent to the first quarter ended 31 July 2019, there was no ESOS options exercised.

A6 Dividend paid

No dividend has been paid for the quarter under review.



A7 Segment information

Details of segmental analysis for the period ended 31 July 2019 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	42,063	14,812	8,125	1,061	-	66,061
Inter-segment revenue	36	15,511	-	2,258	(17,805)	-
Total revenue	42,099	30,323	8,125	3,319	(17,805)	66,061
RESULT						
Segment profit/(loss)	7,124	1,338	(258)	1,479	305	9,988
Finance costs						(68)
Interest income						255
Share of loss of equity-accounted investee, net of tax						21
Profit before taxation						10,196
Income tax expenses						(2,667)
Net profit for the period						7,529

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	129,740	171,538	35,796	35,713	-	372,787
Segment liabilities	18,621	18,344	7,777	1,160	-	45,902

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 were no material events subsequent to the period ended 31 July 2019 except for the following:

- The Company had on 4 September 2019 incorporated a wholly-owned subsidiary, namely Tea Reserves Sdn Bhd with an initial issued share capital of RM 2.00 comprising 2 ordinary shares of RM 1.00 each.
- The Company had on 18 September 2019 acquired additional 1,000 ordinary shares of Hai-O Raya Bhd for a total cash consideration of RM 2,800.



A10 Changes in the composition of the Group

There was no change in the composition of the Group during the interim period ended 31 July 2019 except for the following:

On 10 Jun 2019, Yan Ou Holdings (M) Sdn Bhd (“YOH”) , a subsidiary of the Group has acquired the remaining 100,000 shares in its subsidiary – Yan Ou Marketing (Intl) Sdn Bhd (“YOM”) from non-controlling owners for a total cash consideration of RM 80,000. The acquisition increased the equity interest in YOM from 90% to 100%.

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 19/9/2019	As at 31/7/2019	As at 30/4/2019
	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 19/9/2019	As at 31/7/2019	As at 30/4/2019
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	978	819	819

A12 Capital commitment

The capital commitment of the Group for the period ended 31 July 2019 is as follows:

	Approved, contracted but not provided for
	RM'000
Property, plant and equipment	1,651
Total	1,651



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 period-to-date:

Financial review for current quarter and financial period to date

	Quarter and Year-to-date ended		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter	
	31/07/2019 (RM '000)	31/07/2018 (RM '000)	
Revenue	66,061	80,085	(17.5%)
Gross Profit	25,174	32,171	(21.7%)
Operating Profit	9,988	14,172	(29.5%)
Profit Before Tax	10,196	14,439	(29.4%)
Profit After Tax	7,529	10,660	(29.4%)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	7,743	10,997	(29.6%)

Statement of profit & loss and other comprehensive income

For the 1st quarter under review, the Group recorded lower revenue of RM 66.1 million, a decrease of 17.5% as compared to the previous year corresponding quarter of RM 80.1 million. The decreased in revenue was mainly attributable to lower contribution from the Multi-level marketing (“MLM”) division. The Group’s gross profit margin fell by 2.0% as the result of an unfavourable change in sales mix.

Statement of financial position

The equity attributable to equity holders of the parent stood at RM 316.7 million, an increase of 2.1% as compared to previous financial year ended 30 April 2019 of RM 310.2 million, after taking into account the profit attributable to owners of the company of RM 7.7 million.

The Group’s total assets as at 31 July 2019 stood at RM 372.8 million (FYE 30.4.2019: RM 364.2 million). The increase in total assets by RM 8.6 million was mainly due to the increase in Other investment and right-of-use asset. The adoption of MFRS 16 required the Group to recognise lease contract as a right-of-use asset and a corresponding liability as Lease liabilities.

Total liabilities of the Group increased by RM 2.3 million to RM 45.9 million (FYE 30.4.2019: RM 43.6 million). Lease liabilities amounting to RM 6.0 million were booked in after the adoption of MFRS 16.

The net assets per share increased to RM 1.09 against previous financial year ended 30 April 2019 of RM 1.07.



Statement of Cash Flow

The Group's cash and cash equivalents and short term investment totalled RM 100.1 million as at 31 July 2019.

The net cash flow from operating activities was RM 5.1 million, primarily generated from the operating profit of the three main divisions with MLM and Retail divisions' sales mainly transacted in cash. The net cash used in investing activities included the purchase of other investment with a total outflow of RM5.5 million.

Segmental Analysis

(i) MLM division

The slowdown in members' recruitment and renewal since the last financial year persisted in the 1st quarter of the current financial year. The division registered lower revenue and pre-tax profit of RM 42.1 million and RM 7.3 million for the period under review as compared to the preceding year's corresponding quarter of RM 58.0 million and RM 10.6 million respectively. Members have continued to cut back spending in view of weak market sentiment while distributors have also slowed down activities since last financial year. The response from overseas incentive campaign which ended in May 2019 was not encouraging as members faced difficulties marketing products amidst the current weak market condition.

(ii) Wholesale division

During the period under review, revenue increased by 9.2% to RM 14.8 million as compared to the preceding year's corresponding quarter of RM 13.6 million. The increase in revenue was mainly attributable to the higher sales from Chinese medicated tonic and bird nest product. The Group has started the export of bird nest products to China after obtaining an export permit from Certification and Accreditation Administration of the People's Republic of China ("CNCA").

However, divisional pre-tax profit fell to RM 1.7 million due to lower contribution from inter-segment sales and higher import costs.

(iii) Retail division

In the face of slower domestic growth and sluggish purchasing power, the division launched an extensive sales promotion on one of its premium house brand products which received good response from its Loyalty friendship members. Revenue increased by 6.7% to RM 8.1 million as compared to the preceding year's corresponding quarter of RM 7.6 million. Correspondingly, the division narrowed losses to RM 0.3 million as compared to the preceding year's corresponding quarter of RM 0.6 million.



(iv) Others division

Revenue comprised mainly of rental income from investment properties, food supplement manufacturing activities and credit & leasing business. The main contributors are manufacturing and rental income from investment properties.

During the period under review, the pre-tax profit increased by almost double from RM 0.8 million to RM 1.5 million mainly attributable to higher contribution from inter-segment sales of the manufacturing division coupled with higher rental income generated from investment properties.

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
	31/7/2019 (RM '000)	30/4/2019 (RM '000)	
Revenue	66,061	69,942	(5.5%)
Gross Profit	25,174	25,481	(1.2%)
Operating Profit	9,988	13,555	(26.3%)
Profit Before Tax	10,196	13,873	(26.5%)
Profit After Tax	7,529	9,832	(23.4%)
Profit Attributable to Ordinary Equity Holders of the Parent	7,743	10,021	(22.7%)

For the 1st quarter under review, the Group recorded lower revenue and pre-tax profit of RM 66.1 million and RM 10.2 million, a decrease of 5.5% and 26.5% as compared with the immediate preceding quarter of RM 69.9 million and RM 13.9 million, respectively:

(i) MLM division

Revenue decreased by 11.3% to RM 42.1 million as compared with the immediate preceding quarter of RM 47.4 million. The slow-down of distributors' business activities during the Ramadan fasting month and the Hari Raya festive season has resulted in the drop in business activities in the quarter under review.

Pre-tax profit fell by 29.6% to RM 7.3 million as the drop in revenue was aggravated by reduced A&P subsidy income.



(ii) Wholesale division

External revenue increased by 22.9% to RM 14.8 million as compared with the immediate preceding quarter of RM 12.1 million mainly driven by higher sales of Chinese medicated tonic, patented medicine and bird nest products for its export sales.

Despite the increase in revenue, the pre-tax profit was maintained at RM 1.7 million due to lower contribution from inter-segment sales.

(iii) Retail division

Revenue fell by 15% from RM 9.6 million to RM 8.1 million, partly reflecting the high base effect in the immediate preceding quarter which was boosted by members' sales promotion campaign towards the end of the previous financial year. In addition, there was a reduction in A&P subsidy income and other income received.

B3 Commentary on prospects for the next quarter

The global economic uncertainties and volatility amidst high trade tensions between the US and China have taken a toll not only on global trade but even more on market sentiment and consumer confidence. This high level of uncertainties has inevitably affected the overall business activities of the consumer-focussed group. Moreover, the prolonged weakening of the Malaysian Ringgit against the USD currency has continued to have a negative impact on the Group's margin.

In response to the challenging business environment globally and locally, the Group will continue to deploy appropriate business strategies including costs optimisation measures, strengthen its operational productivity and digitalise business operations for its main business segments. The Group will also adjust its products and marketing strategies in order to better match demand during this challenging time. The MLM division is organising incentive trips and also actively retaining and recruiting new members to rejuvenate sales, the Wholesale division is stepping up efforts to secure agencies for more food and beverage products, while the Retail division will continue to build on the recent success of its members' sales campaign in the coming quarters.

In view of the above, the Board of Directors expects the Group to remain profitable in the next quarter as it continues to strengthen the foundation for longer-term growth and progress.

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

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

B5 Profit forecast / profit guarantee previously announced

There were no profit forecast or profit guarantee previously announced.



B6 Trade Receivables

Ageing analysis of trade receivables of the Group as at 31 July 2019 are as follow:

	RM '000
Not past due	13,755
Past due 1-30 days	1,442
Past due 31-60 days	116
Past due more than 60 days & not impaired	306
Past due more than 60 days & impaired	6
	<u>15,625</u>

The trade receivables were mainly for non-related parties with credit term of 60-90 days.

B7 Taxation

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

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

	Current quarter ended	Current year to date
	31/7/2019	31/7/2019
	(RM '000)	(RM '000)
Profit before taxation	10,196	10,196
Taxation at applicable tax rate – 24%	2,447	2,447
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in the profit or loss	220	220
Total Income Tax Expenses	2,667	2,667

B8 Status of Corporate Proposals

There were no outstanding corporate proposals for the period under review.



B9 Group Borrowings and Debts Securities

The Group borrowings and debts securities are as follows :

Current period ended 31/7/2019				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowing	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	242
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				242

Preceding period ended 31/7/2018				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowings	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,020
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				1,020

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

No interim dividend has been declared for the quarter under review (31/7/2018: Nil).

The final single tier dividend of 9 sen per ordinary share in respect of the previous financial year ended 30 April 2019 which was approved by the shareholders at the Annual General Meeting on 26 September 2019 will be paid on 21 November 2019. (FYE 30/4/2018: a final single tier dividend of 11 sen per ordinary share).

The entitlement date for the dividend payment is 8 November 2019.



B12 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/7/2019	31/7/2018	31/7/2019	31/7/2018
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent (RM'000)	7,743	10,997	7,743	10,997
Weighted average number of shares ('000)	290,480	291,171	290,480	291,171
Weighted average number of shares for diluted EPS ('000)	- *	291,310	-*	291,310
Basic earnings per share (sen)	2.67	3.78	2.67	3.78
Dilutive earnings per share (sen)	-	3.77	-	3.77

*The diluted earnings per share is not presented as the exercising of the balance of ESOS granted under the Employee's Share Option Scheme ("ESOS") would result in an anti dilution situation.

B13 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.



B14 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
	31/7/2019 RM' 000	31/7/2018 RM' 000	31/7/2019 RM' 000	31/7/2018 RM' 000
<i>Profit before taxation is arrived at after (charging)/crediting:</i>				
Interest income	255	315	255	315
Other income including investment Income	873	772	873	772
Interest expense	(68)	(52)	(68)	(52)
Depreciation and amortization on PPE & IP	(1,181)	(1,137)	(1,181)	(1,137)
Depreciation and amortization on Right-use-of-assets	(376)	-	(376)	-
Provision for and write off of receivables	(187)	89	(187)	89
Provision for and write off of inventories	(45)	(51)	(45)	(51)
Gain or (loss) on disposal of quoted or unquoted investment and/or PPE	-	-	-	-
Foreign exchange gain/(loss):				
- Realised	54	93	54	93
- Unrealised	(55)	(137)	(55)	(137)
Gain or loss on derivatives	-	-	-	-
Impairment loss	(13)	-	(13)	-
Exceptional items	-	-	-	-
