



**HAI-O ENTERPRISE BHD**  
**Reg. No.: 197501000919 (22544-D)**  
**(Incorporated in Malaysia)**

**Unaudited Interim Financial Report**  
**31 October 2019**



## HAI-O ENTERPRISE BHD ( Reg.No. 197501000919 (22544-D))

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

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

	INDIVIDUAL PERIOD (2nd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2019	31/10/2018	31/10/2019	31/10/2018
	RM'000	RM'000	RM'000	RM'000
Revenue	68,389	92,171	134,450	172,256
Cost of sales	(44,333)	(56,495)	(85,220)	(104,409)
Gross Profit	24,056	35,676	49,230	67,847
Other income	1,204	1,158	2,077	2,117
Depreciation	(1,550)	(1,226)	(3,107)	(2,363)
Administrative expenses	(6,382)	(6,395)	(12,159)	(13,762)
Selling & distribution expenses	(7,676)	(10,973)	(15,898)	(21,099)
Other expenses	(280)	(243)	(783)	(571)
<b>Operating Profit</b>	<b>9,372</b>	<b>17,997</b>	<b>19,360</b>	<b>32,169</b>
Finance income	260	279	515	594
Finance costs	(78)	(25)	(146)	(77)
Share of profit/(loss) of equity-accounted investee, net of tax	(6)	10	15	14
Share of loss of associate company	-	-	-	-
Profit before tax	9,548	18,261	19,744	32,700
Tax expenses	(2,269)	(4,407)	(4,936)	(8,186)
<b>Profit after tax</b>	<b>7,279</b>	<b>13,854</b>	<b>14,808</b>	<b>24,514</b>
<b>Profit attributable to:</b>				
Owners of the parent	7,318	13,601	15,061	24,598
Non-controlling interest	(39)	253	(253)	(84)
	7,279	13,854	14,808	24,514
<b>Earnings Per Share attributable to equity holders of the parent</b>				
- Basic	2.52	4.68	5.19	8.47
- Diluted	-	4.67	-	8.46

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 ( Reg.No. 197501000919 (22544-D))**

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

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 31 OCTOBER 2019**

	INDIVIDUAL PERIOD (2nd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/10/2019	PRECEDING YEAR CORRESPONDING QUARTER 31/10/2018	CURRENT YEAR TO DATE 31/10/2019	PRECEDING YEAR CORRESPONDING PERIOD 31/10/2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	7,279	13,854	14,808	24,514
Other comprehensive income				
- Foreign currency translation differences for foreign operations	25	28	55	30
Total comprehensive Income for the period	7,304	13,882	14,863	24,544
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	7,343	13,629	15,116	24,628
Non-controlling Interest	(39)	253	(253)	(84)
	7,304	13,882	14,863	24,544

*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 ( Reg.No. 197501000919 (22544-D))****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 OCTOBER 2019**

	AS AT CURRENT FINANCIAL QUARTER ENDED 31/10/2019 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2019 (RM'000) (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Property, Plant and Equipment</i>	93,794	97,147
<i>Right-of-use assets</i>	4,540	-
<i>Investment properties</i>	47,560	45,659
<i>Investment in jointly control entity</i>	2,202	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>	1,302	1,521
<i>Deferred tax assets</i>	922	1,025
	<b>150,417</b>	<b>147,637</b>
<b>Current Assets</b>		
<i>Inventories</i>	93,556	98,122
<i>Trade and other receivables</i>	24,805	23,364
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	50,543	41,321
<i>Cash and Cash Equivalents</i>	60,912	53,792
	<b>229,816</b>	<b>216,599</b>
<b>TOTAL ASSETS</b>	<b>380,233</b>	<b>364,236</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
<i>Share capital</i>	157,257	157,257
<i>Treasury Shares</i>	(24,137)	(24,053)
<i>Other reserves</i>	1,006	951
<i>Retained earnings</i>	163,697	176,064
	<b>297,823</b>	<b>310,219</b>
<b>Non-controlling interest</b>	9,932	10,456
<b>Total Equity</b>	<b>307,755</b>	<b>320,675</b>
<b>Non-current Liabilities</b>		
<i>Borrowings</i>	-	-
<i>Lease Liabilities</i>	3,850	-
<i>Deferred tax</i>	588	643
	<b>4,438</b>	<b>643</b>
<b>Current Liabilities</b>		
<i>Trade &amp; other payables</i>	62,067	38,536
<i>Short term borrowings</i>	1,248	289
<i>Short-term provisions</i>	1,422	1,529
<i>Lease Liabilities</i>	1,778	-
<i>Contract Liabilities</i>	1,510	1,723
<i>Current tax payables</i>	15	841
	<b>68,040</b>	<b>42,918</b>
<b>Total Liabilities</b>	<b>72,478</b>	<b>43,561</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>380,233</b>	<b>364,236</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.03	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 ( Reg.No. 197501000919 (22544-D))**
**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS  
FOR THE QUARTER ENDED 31 OCTOBER 2019**

	<b>2020</b> <b>6-month</b> <b>ended</b> <b>31/10/2019</b> <b>(RM '000)</b>	<b>2019</b> <b>6-month</b> <b>ended</b> <b>31/10/2018</b> <b>(RM '000)</b>
Profit before tax	19,744	32,700
Adjustment for :-		
Depreciation on property, plant and equipment & IP	2,356	2,363
Depreciation on right-of-use assets	751	-
Dividend income	(670)	(879)
Equity settled share-based payment transaction	-	406
Fair value (gain)/loss on other investments	(155)	3
Finance costs	146	77
Finance income	(515)	(594)
Gain/(loss) on disposal of property, plant and equipment	-	4
Gain/(loss) on disposal of other investment	-	(66)
Property, plant and equipment written off	3	13
Share of profit of equity-accounted investee, net of tax	(15)	(14)
Provision for sales campaign	(106)	(1,385)
Unrealised foreign exchange differences	110	184
<b>Operating profit before changes in working capital</b>	<b>21,649</b>	<b>32,812</b>
Changes in working capital		
<i>Inventories</i>	4,566	(9,409)
<i>Receipts from customers</i>	1,395	5,458
<i>Net Change in other receivables</i>	1,396	(818)
<i>Payment to suppliers, contractors and employees</i>	(3,755)	(7,979)
<i>Net Change in other payables</i>	756	(1,304)
	4,358	(14,052)
Cash generated from operations		
<i>Payment of income taxes</i>	(9,727)	(10,553)
<b>Net cash flows from operating activities</b>	<b>16,280</b>	<b>8,207</b>
Investing Activities		
<i>Accretion of equity interests in subsidiaries</i>	(83)	(8)
<i>Acquisition of other investments</i>	(10,500)	(23,696)
<i>Purchase of property, plant and equipment &amp; IP</i>	(788)	(6,636)
<i>Proceeds from disposal of other investment</i>	1,023	26,357
<i>Proceeds from disposal of property, plant and Equipment</i>	-	8
<i>Dividend received</i>	-	210
<i>Interest received</i>	515	594
<b>Net cash from/(used in) investing activities</b>	<b>(8,753)</b>	<b>(3,171)</b>
Financing Activities		
<i>Purchase of Company's own share</i>	(84)	(1,823)
<i>Proceeds from issue of share</i>	-	123
<i>Dividend paid</i>	-	(8,728)
<i>Payment of lease liabilities</i>	(1,054)	-
<i>Interest paid on loans and borrowings</i>	(146)	(77)
<i>Repayment / drawdown of trade facilities</i>	959	156
<b>Net cash from/ (used in) financing activities</b>	<b>(325)</b>	<b>(10,349)</b>
Net Changes in Cash & Cash Equivalents	7,202	(5,313)
Effect of exchange rate & fluctuations on cash held	(82)	(50)
Cash & Cash Equivalents at beginning of financial period	53,792	68,674
<b>Cash &amp; Cash Equivalents at end of the financial period</b>	<b>60,912</b>	<b>63,311</b>

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.


**HAI-O ENTERPRISE BHD ( Reg.No. 197501000919 (22544-D))**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 OCTOBER 2019**

	Attributable to Equity Holders of the Parent						Total	Non-controlling interest	Total Equity
	Non distributable					Distributable			
	Share Capital	Treasury shares	Exchange fluctuation reserve	Capital reserve	Share option reserve	Retained Earnings			
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
<b>6-month ended 31 October 2019</b>									
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	-	-	-	-	-	15,061	15,061	(253)	14,808
Other comprehensive income for the period	-	-	55	-	-	-	55	-	55
Total comprehensive income for the period	-	-	55	-	-	15,061	15,116	(253)	14,863
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	(29)	(29)	(54)	(83)
Dividend	-	-	-	-	-	(26,130)	(26,130)	(217)	(26,347)
Purchase of Company's own shares	-	(84)	-	-	-	-	(84)	-	(84)
<b>Balance at end of financial period</b>	<b>157,257</b>	<b>(24,137)</b>	<b>(248)</b>	<b>657</b>	<b>597</b>	<b>163,697</b>	<b>297,823</b>	<b>9,932</b>	<b>307,755</b>
<b>6-month ended 31 October 2018</b>									
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	-	-	-	-	-	406	406	-	406
Profit for the period	-	-	-	-	-	24,598	24,598	(84)	24,514
Other comprehensive income for the period	-	-	30	-	-	-	30	-	30
Total comprehensive income for the period	-	-	30	-	-	24,598	24,628	(84)	24,544
Employees' share option reserve	41	-	-	(41)	-	-	-	-	-
Share issued pursuant to ESOS	124	-	-	-	-	-	124	-	124
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	17	17	(25)	(8)
Dividend	-	-	-	-	-	(31,964)	(31,964)	(349)	(32,313)
Purchase of Company's own shares	-	(1,823)	-	-	-	-	(1,823)	-	(1,823)
<b>Balance at end of financial period</b>	<b>157,257</b>	<b>(23,404)</b>	<b>(26)</b>	<b>1,293</b>	<b>-</b>	<b>164,173</b>	<b>299,293</b>	<b>10,561</b>	<b>309,854</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 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”). The interim financial statements also comply with IAS 34, Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The interim financial reports should be read in conjunction with the most recent annual financial statements of the Group for the year ended 30 April 2019.

The 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 :

<b>1 May 2019</b>	<b>As previously reported</b>	<b>Retrospective adjustment of MFRS 16</b>	<b>After MFRS 16 Adjustments</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Assets</b>			
Right-of-use assets	-	5,249,200	5,249,200
Impact to assets	-	5,249,200	5,249,200
<b>Liabilities</b>			
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
<b>Equity</b>			
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 October 2019 are as follows:

	<b>Number of Treasury shares</b>	<b>Total Cost Consideration RM</b>
Balance as at 1 Aug 2019	9,932,388	24,053,244
Repurchased during the quarter	36,000	83,594
<b>Balance as at 31 Oct 2019</b>	<b>9,968,388</b>	<b>24,136,838</b>

The repurchase transactions were financed by internally generated funds.

Subsequent to the second quarter ended 31 October 2019, there was no re-purchase of treasury shares.

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

**A6 Dividend paid**

A final single-tier dividend of 9 sen, amounting to RM 26,129,655 in respect of the previous financial year ended 30 April 2019 as approved by the shareholders at the Annual General Meeting held on 26 September 2019, was paid on 21 November 2019.



**A7 Segment information**

Details of segmental analysis for the period ended 31 October 2019 are as follows:

	<b>Multi-Level Marketing</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Others</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>REVENUE</b>						
Revenue from external customers	84,629	29,948	17,774	2,099	-	<b>134,450</b>
Inter-segment revenue	57	32,175	-	3,402	(35,634)	-
Total revenue	84,686	62,123	17,774	5,501	(35,634)	134,450
<b>RESULT</b>						
<b>Segment profit/(loss)</b>	14,555	2,776	(14)	2,301	(258)	<b>19,360</b>
Finance costs						(146)
Interest income						515
Share of loss of equity-accounted investee, net of tax						15
Profit before taxation						19,744
Income tax expenses						(4,936)
Net profit for the period						<b>14,808</b>

	<b>Multi-Level Marketing</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Others</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Segment assets</b>	134,681	170,730	38,066	36,756	-	<b>380,233</b>
<b>Segment liabilities</b>	44,128	19,437	7,597	1,316	-	<b>72,478</b>

**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 October 2019 except for the following:

- i) On 8 November 2019, the Company subscribed for additional 999,998 shares at RM 1.00 per share in Tea Reserves Sdn Bhd, a wholly owned subsidiary company, for a total cash consideration of RM 999,998. With effect thereof, the total share capital of Tea Reserves Sdn Bhd has increased to RM 1,000,000.



- ii) On 20 November 2019, the Company acquired additional 3,000 ordinary shares of Hai-O Raya Bhd for a total cash consideration of RM 8,400.
- iii) On 22 November 2019, Yan Ou Holdings (M) Sdn Bhd (“Yan Ou”) increased its paid-up capital by RM 1,000,000 which was subscribed for by both the Company and the non-controlling owner in accordance with their share of equity interest of 60% and 40%, respectively. With effect thereof, the total share capital of Yan Ou has increased to RM 2,500,000.

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

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

- i) The Company acquired additional 1,000 ordinary shares of Hai-O Raya Bhd for a total cash consideration of RM 2,800 on 18 September 2019.

#### 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 12/12/2019	As at 31/10/2019	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 12/12/2019	As at 31/10/2019	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	978	819



## A12 Capital commitment

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

	<b>Approved, contracted but not provided for</b>
	<b>RM'000</b>
Property, plant and equipment	1,509
<b>Total</b>	<b>1,509</b>

## 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

	<b>Individual Period (2<sup>nd</sup> quarter)</b>		<b>Changes</b>	<b>Cumulative Period</b>		<b>Changes</b>
	<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>		<b>Current Year To- date</b>	<b>Preceding Year Corresponding Period</b>	
	<b>31/10/2019 (RM '000)</b>	<b>31/10/2018 (RM '000)</b>		<b>31/10/2019 (RM '000)</b>	<b>31/10/2018 (RM '000)</b>	
<b>Revenue</b>	68,389	92,171	(25.8%)	134,450	172,256	(21.9%)
<b>Gross Profit</b>	24,056	35,676	(32.6%)	49,230	67,847	(27.4%)
<b>Operating Profit</b>	9,372	17,997	(47.9%)	19,360	32,169	(39.8%)
<b>Profit Before Tax</b>	9,548	18,261	(47.7%)	19,744	32,700	(39.6%)
<b>Profit After Tax</b>	7,279	13,854	(47.5%)	14,808	24,514	(39.6%)
<b>Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent</b>	7,318	13,601	(46.2%)	15,061	24,598	(38.8%)

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

For the first half of the financial year, the Group recorded lower revenue of RM 134.5 million, a decrease of 21.9% as compared to the previous year corresponding period of RM 172.3 million. The decrease in revenue was mainly attributable to lower contribution from the three main divisions i.e. Multi-level marketing (“MLM”), Wholesale and Retail divisions. The Group’s gross profit margin fell by 2.8% as the result of an unfavourable change in sales mix and higher import purchase cost.



### Statement of financial position

The equity attributable to equity holders of the parent stood at RM 297.8 million, a decrease of 4.0% as compared to previous financial year ended 30 April 2019 of RM 310.2 million, after taking into account the final dividend payable of RM 26.1 million in respect of previous financial year ended 30 April 2019 and net of profit attributable to owners of the Company amounting to RM 15.1 million for the period to date.

The Group's total assets as at 31 October 2019 stood at RM 380.2 million (FYE 30.4.2019: RM 364.2 million). The increase in total assets by RM 16.0 million was mainly due to the increase in Other investment, Cash and cash equivalent and Right-of-use assets. 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 28.9 million to RM 72.5 million (FYE 30.4.2019: RM 43.6 million). Lease liabilities amounting to RM 5.6 million were recognised after the adoption of MFRS 16. Dividend payable of RM 26.1 million was paid on 21 November 2019.

Net asset per share was recorded at RM 1.03 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 111.5 million as at 31 October 2019 (FYE 30.4.2019: RM 95.1 million).

The net cash flow from operating activities was RM 16.3 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 which included the purchase of other investment amounted to RM8.8 million.

### **Segmental Analysis**

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

The Group registered lower revenue and pre-tax profit of RM 68.4 million and RM 9.5 million during the quarter under review, which was 25.8% and 47.7% lower than RM 92.2 million and RM 18.3 million in the previous corresponding quarter. Lower revenue and profit reflected the prevailing weakness in consumer spending, further aggravated by a high base effect in the preceding year's corresponding quarter when sales were boosted during the tax-free period before the SST was re-introduced in September 2018.

#### *(i) MLM division*

During the quarter under review, MLM revenue decreased by about 32.6% to RM 42.6 million as compared to the preceding year's corresponding quarter of RM 63.2 million. High cost of living has continued to constrain members' ability and willingness to spend, and the division had to actively deal with the challenges by adjusting product offerings while also stepping up promotions and rebates. Pre-tax profit decreased by 46.5% to RM 7.6 million mainly due to lower revenue coupled with lower margin achieved due to higher rebates on promotional items.



(ii) Wholesale division

Revenue from external sales decreased by 11.7% to RM 15.1 million as compared to the preceding year's corresponding quarter of RM 17.1 million. Higher sales generated from export of bird nest products were offset by lower revenue from Chinese medicated tonic and patented medicine during the quarter under review.

Divisional pre-tax profit decreased by about 60.9% to RM 0.9 million, mainly attributable to an unfavourable change in sales mix and higher import costs caused by price revisions from overseas suppliers.

(iii) Retail division

The division recorded revenue of RM 9.7 million, 10.9% lower than the preceding year's corresponding quarter of RM 10.8 million. As was the case with the MLM division, higher sales during the tax free period before the re-introduction of SST had boosted sales in the second quarter of the previous financial year. Besides the higher base effect, the division also faced the challenges of general consumption weakness which affected spending on premium health supplement products.

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

For the first half of the current financial year, the Group registered lower revenue and pre-tax profit of RM 134.5 million and RM 19.7 million as compared to RM 172.3 million and RM 32.7 million, representing a decrease of 21.9% and 39.6% respectively from the corresponding period of the preceding year.

(i) MLM division

The division continues to suffer from the general weakness in consumption spending. Members remained cautious in their spending in view of uncertainties on the domestic and global economy, which also affected members' recruitment and renewal. The division recorded lower revenue and pre-tax profit of RM 84.6 million and RM 14.9 million for the period under review as compared to the preceding year's corresponding period of RM 121.2 million and RM 24.9 million, decreased by 30.2% and 40.0% respectively.

(ii) Wholesale division

Wholesale revenue was maintained at about RM 30.0 million during the period under review, as higher sales generated from bird nest products export sales were offset by weakness in Chinese medicated tonic and patented medicine sales during the period.

Pre-tax profit dropped to RM 2.7 million mainly attributable to lower contribution from inter-segment sales and lower margin due to higher import cost.

(iii) Retail division

Retail revenue was maintained at about RM 18.0 million with a marginal loss of RM 0.1 million in the half year under review. Despite an aggressive promotion campaign during the period, buying momentum remained subdued especially for premium health supplement products in the midst of high cost of living and sluggish consumer sentiment.



(iv) Other division

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

During the period under review, pre-tax profit increased by 26.3% from RM 1.8 million to RM 2.3 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**

	<b>Current Quarter</b>	<b>Immediate Preceding Quarter</b>	<b>Changes</b>
	<b>31/10/2019 (RM '000)</b>	<b>31/7/2019 (RM '000)</b>	
<b>Revenue</b>	68,389	66,061	3.5%
<b>Gross Profit</b>	24,056	25,174	(4.4%)
<b>Operating Profit</b>	9,372	9,988	(6.2%)
<b>Profit Before Tax</b>	9,548	10,196	(6.4%)
<b>Profit After Tax</b>	7,279	7,529	(3.3%)
<b>Profit Attributable to Ordinary Equity Holders of the Parent</b>	7,318	7,743	(5.5%)

For the 2<sup>nd</sup> quarter under review, the Group recorded higher revenue of RM 68.4 million, an increase of 3.5% from the preceding quarter. However, pre-tax profit dropped by 6.4% due to lower margin registered in the current quarter:

(i) MLM division

Higher sales from “big-ticket” items in the 2<sup>nd</sup> quarter were offset by lower sales for “small ticket” items, hence revenue only increased marginally by 1.2% to RM 42.6 million as compared with the immediate preceding quarter. Pre-tax profit increased marginally by 4.4% to RM 7.6 million mainly driven by lower operating costs incurred in the 2<sup>nd</sup> quarter via cost optimisation measures and digitalisation strategies to improve operational efficiency.



(ii) Wholesale division

Revenue increased marginally by 2.2% to RM 15.1 million as higher sales from Chinese medicated tonic and bird nest were offset by lower revenue from patented medicine. The divisional pre-tax profit dropped to RM 1.0 million mainly due to unfavourable sales mix and higher CSR and branding costs incurred in the quarter under review.

(iii) Retail division

Revenue increased by 18.7% to RM 9.6 million mainly boosted by the division's half yearly members' grand sales promotion campaign. In tandem with higher revenue, the Retail division turned around into a pre-tax profit of RM 0.2 million against the loss of RM 0.3 million in the immediate preceding quarter.

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

Malaysia's retail sales are forecast to remain weak, according to a recent report published by RGM (Retail Group Malaysia). RGM cited uncertainties surrounding the US and China trade dispute development, the sluggish regional economic outlook, poor market sentiment and high cost of living as factors which will constrain consumers' willingness and ability to spend. The Group expects to face similar challenges in the second half of the financial year.

The Group will continue to focus on building its strength as one of the largest wholesalers in traditional healthcare products. The Wholesale and Retail divisions will capitalise on the upcoming Chinese New Year ("CNY") festivities to step up promotional campaigns in the coming quarter, noting though the campaign period is shortened due to CNY falling earlier in 2020. The MLM division will continue to work on various strategies to reinforce its distributors' base and re-strategize its reward scheme to motivate and incentivise members to rejuvenate sales. It will intensify cost optimisation measures and digitalisation strategies to improve operational efficiency.

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

The ageing analysis of trade receivables of the Group as at 31 October 2019 is as follows:

	<b>RM '000</b>
Not past due	13,179
Past due 1-30 days	1,002
Past due 31-60 days	208
Past due more than 60 days & not impaired	310
Past due more than 60 days & impaired	6
	<u>14,705</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 current quarter, the effective rate of the Group was lower than the statutory tax rate due mainly to certain income which are not subject to tax and utilisation of capital allowance.

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 were not deductible for tax purpose and losses of certain subsidiary companies which cannot be set off against profits of other subsidiaries as no Group relief was available for tax purposes.

	<b>Current quarter ended</b>	<b>Current year to date</b>
	<b>31/10/2019</b>	<b>31/10/2019</b>
	<b>(RM '000)</b>	<b>(RM '000)</b>
Profit before taxation	9,548	19,744
Taxation at applicable tax rate – 24%	2,292	4,739
Adjustment mainly due to certain non-taxable income and utilisation of capital allowance / certain non-allowable expenses and deferred tax recognized in the profit or loss	(23)	197
<b>Total Income Tax Expenses</b>	<b>2,269</b>	<b>4,936</b>

## 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:

<b>Current period ended 31/10/2019</b>				
<b>Group Borrowings</b>	<b>Currency</b>	<b>Secured/ Unsecured</b>	<b>Type of borrowing</b>	<b>RM'000</b>
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,248
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
<b>Total</b>				<b>1,248</b>

<b>Preceding period ended 31/10/2018</b>				
<b>Group Borrowings</b>	<b>Currency</b>	<b>Secured/ Unsecured</b>	<b>Type of borrowings</b>	<b>RM'000</b>
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,561
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
<b>Total</b>				<b>1,561</b>

The short-term borrowings solely comprised 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 single tier interim dividend of 3 sen per share in respect of the financial year ending 30 April 2020 (31/10/2018: 4 sen single tier interim dividend).



**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
	31/10/2019	31/10/2018	31/10/2019	31/10/2018
<b>Earnings</b>				
Net profit for the period attributable to equity holders of the parent (RM'000)	7,318	13,601	15,061	24,598
Weighted average number of shares ('000)	290,426	290,619	290,426	290,619
Weighted average number of shares for diluted EPS ('000)	- *	290,719	-*	290,718
Basic earnings per share (sen)	2.52	4.68	5.19	8.47
Dilutive earnings per share (sen)	-	4.67	-	8.46

\*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**

	<b>CURRENT YEAR QUARTER</b>	<b>PRECEDING YEAR CORRESPONDING QUARTER</b>	<b>CURRENT YEAR TO DATE</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD</b>
	<b>31/10/2019 RM' 000</b>	<b>31/10/2018 RM' 000</b>	<b>31/10/2019 RM' 000</b>	<b>31/10/2018 RM' 000</b>
<i>Profit before taxation is arrived at after (charging)/crediting:</i>				
Interest income	260	279	515	594
Other income including investment Income	1,204	1,158	2,077	2,117
Interest expense	(78)	(25)	(146)	(77)
Depreciation and amortization on PPE & IP	(1,175)	(1,226)	(2,356)	(2,363)
Depreciation and amortization on Right-use-of-assets	(375)	-	(751)	-
Provision for and write off of receivables	41	-	(146)	(71)
Provision for and write off of inventories	(313)	(477)	(358)	(528)
Gain or (loss) on disposal of quoted or unquoted investment and/or PPE	-	62	-	62
Foreign exchange gain/(loss):				
- Realised	95	119	149	212
- Unrealised	(54)	(47)	(110)	(184)
Gain or loss on derivatives	-	-	-	-
Impairment loss	(13)	-	(26)	-
Exceptional items	-	-	-	-