



HAI-O ENTERPRISE BHD
Company No: 197501000919 (22544-D)
(Incorporated in Malaysia)

Unaudited Interim Financial Report
31 October 2020



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

Quarterly report on consolidated results for the financial period ended 31 October 2020
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE QUARTER ENDED 31 OCTOBER 2020**

	INDIVIDUAL PERIOD (2nd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/10/2020	PRECEDING YEAR CORRESPONDING QUARTER 31/10/2019	CURRENT YEAR TO DATE 31/10/2020	PRECEDING YEAR CORRESPONDING PERIOD 31/10/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	66,137	68,389	137,383	134,450
Cost of sales	(39,996)	(44,333)	(85,118)	(85,220)
Gross Profit	26,141	24,056	52,265	49,230
Other income	1,752	1,204	2,688	2,077
Depreciation	(1,605)	(1,550)	(3,202)	(3,107)
Administrative expenses	(5,468)	(6,382)	(9,936)	(12,159)
Selling & distribution expenses	(7,143)	(7,676)	(14,319)	(15,898)
Other expenses	(215)	(280)	(489)	(783)
Operating Profit	13,462	9,372	27,007	19,360
Finance income	163	260	348	515
Finance costs	(71)	(78)	(140)	(146)
Share of profit/(loss) of equity-accounted investee, net of tax	(7)	(6)	(15)	15
Profit before tax	13,547	9,548	27,200	19,744
Tax expenses	(3,334)	(2,269)	(6,758)	(4,936)
Profit after tax	10,213	7,279	20,442	14,808
Profit attributable to:				
Owners of the parent	10,352	7,318	20,615	15,061
Non-controlling interest	(139)	(39)	(173)	(253)
	10,213	7,279	20,442	14,808
Earnings Per Share attributable to equity holders of the parent				
- Basic	3.57	2.52	7.10	5.19
- Diluted	-	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2020 and the accompanying explanatory notes attached to the interim financial statements.



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

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CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 OCTOBER 2020

	INDIVIDUAL PERIOD (2nd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/10/2020	PRECEDING YEAR CORRESPONDING QUARTER 31/10/2019	CURRENT YEAR TO DATE 31/10/2020	PRECEDING YEAR CORRESPONDING PERIOD 31/10/2019
	RM'000	RM'000	RM'000	RM'000
Profit for the period	10,213	7,279	20,442	14,808
Other comprehensive income				
- Foreign currency translation differences for foreign operations	90	25	587	55
Total comprehensive Income for the period	10,303	7,304	21,029	14,863
Total comprehensive income attributable to:				
Owners of the parent	10,442	7,343	21,202	15,116
Non-controlling Interest	(139)	(39)	(173)	(253)
	10,303	7,304	21,029	14,863

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2020 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 2020**

	AS AT CURRENT FINANCIAL QUARTER ENDED 31/10/2020 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2020 (RM'000) (Audited)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	89,183	86,512
<i>Investment properties</i>	40,914	45,068
<i>Right-of-use assets</i>	11,802	12,027
<i>Investment in jointly control entity</i>	2,143	2,158
<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>	941	1,181
<i>Deferred tax assets</i>	2,356	2,060
	147,436	149,103
Current Assets		
<i>Inventories</i>	89,365	93,331
<i>Trade and other receivables</i>	21,342	23,401
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	51,101	37,920
<i>Cash and Cash Equivalents</i>	68,740	57,964
	230,548	212,616
TOTAL ASSETS	377,984	361,719
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	157,257	157,257
<i>Treasury Shares</i>	(24,990)	(24,158)
<i>Other reserves</i>	1,680	1,093
<i>Retained earnings</i>	174,441	165,394
	308,388	299,586
Non-controlling interest	10,289	10,603
Total Equity	318,677	310,189
Non-current Liabilities		
<i>Borrowings</i>	-	-
<i>Lease Liabilities</i>	3,198	3,435
<i>Deferred tax</i>	369	437
	3,567	3,872
Current Liabilities		
<i>Trade & other payables</i>	48,451	44,106
<i>Short term borrowings</i>	-	-
<i>Short-term provisions</i>	981	698
<i>Lease Liabilities</i>	1,602	1,621
<i>Contract Liabilities</i>	1,073	1,225
<i>Current tax payables</i>	3,633	8
	55,740	47,658
Total Liabilities	59,307	51,530
TOTAL EQUITY AND LIABILITIES	377,984	361,719
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.06	1.03

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2020 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 2020**

	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)	
6-month ended 31 October 2020									
Balance as at 1 May 2020	157,257	(24,158)	(90)	657	526	165,394	299,586	10,603	310,189
Profit for the period	-	-	-	-	-	20,615	20,615	(173)	20,442
Other comprehensive income for the period	-	-	587	-	-	-	587	-	587
Total comprehensive income for the period	-	-	587	-	-	20,615	21,202	(173)	21,029
Acquisition of additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	26	26	(40)	(14)
Dividend	-	-	-	-	-	(11,594)	(11,594)	(101)	(11,695)
Purchase of Company's own shares	-	(832)	-	-	-	-	(832)	-	(832)
Balance at end of financial period	157,257	(24,990)	497	657	526	174,441	308,388	10,289	318,677
6-month ended 31 October 2019									
Balance as at 1 May 2019	157,093	(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 of 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)
Balance at end of financial period	157,093	(24,137)	(248)	657	597	163,697	297,823	9,932	307,755

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2020 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 2020**

	2021 6-month ended 31/10/2020 (RM '000)	2020 6-month ended 31/10/2019 (RM '000)
Profit before tax	27,200	19,744
Adjustment for :-		
Depreciation on property, plant and equipment & IP	2,192	2,356
Depreciation on right-of-use assets	1,010	751
Dividend income	(500)	(670)
Fair value (gain)/loss on other investments	(81)	(155)
Finance costs	140	146
Finance income	(348)	(515)
Gain/(loss) on disposal of property, plant and equipment	(914)	-
Property, plant and equipment written off	15	3
Share of profit of equity-accounted investee, net of tax	15	(15)
Provision for sales campaign	1,662	1,170
Unrealised foreign exchange differences	88	110
Operating profit before changes in working capital	30,479	22,925
Changes in working capital		
<i>Inventories</i>	3,966	4,566
<i>Receipts from customers</i>	784	1,395
<i>Net Change in other receivables</i>	(123)	1,396
<i>Payment to suppliers, contractors and employees</i>	(1,162)	(5,031)
<i>Net Change in other payables</i>	901	756
	4,366	3,082
Cash generated from operations		
<i>Payment of income taxes</i>	(1,858)	(9,727)
<i>Finance cost</i>	(140)	(146)
Net cash flows from operating activities	32,847	16,134
Investing Activities		
<i>Accretion of equity interests in subsidiary</i>	(14)	(83)
<i>Acquisition of other investments</i>	(12,600)	(10,500)
<i>Purchase of property, plant and equipment & IP</i>	(911)	(788)
<i>Proceeds from disposal of other investment</i>	-	2,103
<i>Proceeds from disposal of property, plant and Equipment</i>	976	-
<i>Interest received</i>	348	515
Net cash from/(used in) investing activities	(12,201)	(8,753)
Financing Activities		
<i>Purchase of Company's own share</i>	(832)	(84)
<i>Dividend paid</i>	(8,709)	-
<i>Payment of lease liabilities</i>	(917)	(1,054)
<i>Repayment / drawdown of trade facilities</i>	-	959
Net cash from/(used in) financing activities	(10,458)	(179)
Net Changes in Cash & Cash Equivalents	10,188	7,202
Effect of exchange rate & fluctuations on cash held	588	(82)
Cash & Cash Equivalents at beginning of financial period	57,964	53,792
Cash & Cash Equivalents at end of the financial period	68,740	60,912

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2020 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 2020.

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 2020.

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 2020 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 2020 as stated below:

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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.

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 2020 are as follows:

	Number of Treasury shares	Total Cost Consideration RM
Balance as at 1 Aug 2020	10,104,488	24,385,885
Repurchased during the quarter	331,900	603,970
Balance as at 31 Oct 2020	10,436,388	24,989,855

The repurchase transactions were finance by internally generated funds.

As at 10 December 2020, the treasury shares held were 10,582,088 shares with a total purchase consideration of RM 25,293,085.

- ii) During the period under review and subsequent to the second quarter ended 31 October 2020, there was no ESOS option exercised.

A6 Dividend paid

The final single tier interim dividend of 4 sen per ordinary share amounting to RM 11,593,988 in respect of the previous financial year ended 30 April 2020 was paid on 19 November 2020.

A7 Segment information

Details of segmental analysis for the period ended 31 October 2020 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	93,514	25,915	16,065	1,889	-	137,383
Inter-segment revenue	103	45,920	-	3,719	(49,742)	-
Total revenue	93,617	71,835	16,065	5,608	(49,742)	137,383
RESULT						
Segment profit/(loss)	18,342	6,091	100	1,806	668	27,007
Finance costs						(140)
Interest income						348
Share of loss of equity-accounted investee, net of tax						(15)
Profit before taxation						27,200
Income tax expenses						(6,758)
Net profit for the period						20,442



A7 Segment information (continued)

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	126,077	171,615	36,269	44,023	-	377,984
Segment liabilities	33,134	17,175	6,452	2,546	-	59,307

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 2020 except for the following:

- (i) On 6 November 2020, the share capital of Hai-O Properties Sdn Bhd (HOP) increased from RM 300,000 to RM 12,800,000 by way of loan capitalisation. HOP is a wholly owned subsidiary of the Company.
- (ii) The Company acquired additional 20,000 shares of Hai-O Raya Bhd for a total cash consideration of RM 56,000.

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 2020 except for the following:

The Company acquired additional 5,000 shares of Hai-O Raya Bhd for a total cash consideration of RM 14,000.



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 10/12/2020	As at 31/10/2020	As at 30/4/2020
	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 10/12/2020	As at 31/10/2020	As at 30/4/2020
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	991	991	1,493

A12 Capital commitment

The capital commitment of the Group for the period ended 31 October 2020 is as follows:

	Approved, contracted but not provided for
	RM'000
Property, plant and equipment	1,196
Total	1,196



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

	Individual Period (2 nd quarter)		Changes	Cumulative Period		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	31/10/2020 (RM '000)	31/10/2019 (RM '000)		31/10/2020 (RM '000)	31/10/2019 (RM '000)	
Revenue	66,137	68,389	(3.3%)	137,383	134,450	2.2%
Gross Profit	26,141	24,056	8.7%	52,265	49,230	6.2%
Operating Profit	13,462	9,372	43.6%	27,007	19,360	39.5%
Profit Before Tax	13,547	9,548	41.9%	27,200	19,744	37.8%
Profit After Tax	10,213	7,279	40.3%	20,442	14,808	38.1%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	10,352	7,318	41.5%	20,615	15,061	36.9%



Statement of Profit & Loss and Other Comprehensive Income

For the first half of the financial year, the Group recorded higher revenue of RM 137.4 million, an increase of 2.2% as compared to the previous year corresponding period of RM 134.5 million. The increase in revenue was mainly attributed to higher sales contribution from the Multi-level marketing (“MLM”) division. The Group’s gross profit margin improved by 1.4% as the result of a favourable change in sales mix. Net operating profit margin improved to 19.8% as compared to previous year’s corresponding period of 14.7%, mainly due to effective cost optimisation initiatives and a favourable change of sales mix coupled with a one-off gain on disposal of vintage tea amounting to RM 0.8 million.

Statement of Financial Position

The equity attributable to equity holders of the parent stood at RM 308.4 million, an increase of 3.0% as compared to previous financial year ended 30 April 2020 of RM 299.6 million, after taking into account the final dividend payable of RM 11.6 million in respect of previous financial year ended 30 April 2020 and net of profit attributable to owners of the Company amounting to RM 20.6 million for the period to date.

The Group’s total assets as at 31 October 2020 stood at RM 378.0 million (FYE 30.4.2020: RM 361.7 million). The increase in total assets by RM 16.3 million was mainly due to the increase in Other investment, Cash and cash equivalent.

Total liabilities of the Group increased by RM 7.8 million to RM 59.3 million (FYE 30.4.2020: RM 51.5 million) due to the increase in current tax payables as well as dividend payable of RM 11.6 million which was paid on 19 November 2020.

Net asset per share was recorded at RM 1.06 as at 31 October 2020 against previous financial year ended 30 April 2020 of RM 1.03.



Statement of Cash Flow

The Group's cash and cash equivalents and short-term investments totalled RM 119.8 million as at 31 October 2020.

Net cash flow from operating activities amounted to RM 32.8 million, primarily generated from the operating profit of the three main divisions, with the MLM and Retail divisions' sales mainly transacted in cash. Net cash used in investing activities including the purchase of other investments amounted to total outflow of RM 12.2 million. Net cash used in financing activities of RM 10.5 million was mainly for dividend payment of RM 8.7 million and purchase of Company's own shares of RM 0.8 million. As a result, the Group's cash and cash equivalents increased by RM 10.8 million to RM 68.7 million in the current period.

Segmental Analysis

Current quarter compared to the preceding year's corresponding quarter

(i) MLM division

During the quarter under review, the division recorded higher revenue and pre-tax profit of RM 44.2 million and RM 8.4 million, up 3.8% and 9.7% respectively as compared to the preceding year's corresponding quarter. The increase in revenue was mainly attributable to higher sales of consumer products, aided by higher rebates and discounts given during flash sales campaigns for food & beverage, personal care products and skin care series. In addition, the success of its newly launched lady wear items has boosted the sales during the quarter under review.

(ii) Wholesale division

During the quarter under review, revenue decreased by 9.3% to RM 12.8 million as compared to the preceding year's corresponding quarter of RM 14.1 million, mainly attributable to lower sales of premium cooking wine to restaurant and goods sold to duty free market amid movement restrictions imposed due to the COVID-19 pandemic.

However, divisional pre-tax profit increased by more than threefold to RM 4.6 million mainly due to effective cost optimization initiatives and a one-off gain from the disposal of vintage tea amounting to RM 0.8 million.

(iii) Retail division

The division recorded revenue of RM 8.2 million, 15.0% lower than the preceding year's corresponding quarter of RM 9.7 million. The half yearly members' grand sales promotion campaign did not make its full impact as it was postponed to the end of the second quarter, as opposed to early second quarter in the preceding year. Furthermore, the response to the campaign was less encouraging due to reduced consumer traffic and general consumption weakness amidst the protracted pandemic which affected the 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 recorded higher revenue and pre-tax profit of RM 137.4 million and RM 27.2 million as compared to RM 134.5 million and RM 19.7 million, representing an increase of 2.2% and 37.8% respectively from the corresponding period of the preceding year:

(i) MLM division

The MLM division is constantly rolling out attractive marketing campaigns for its members by leveraging on e-commerce and social media platforms which enabled the division to widen its reach. In addition, the success of its "Duit Raya" sales campaign and its local incentive trip campaign, coupled with the overwhelming response for one of its newly launched lady wear series, had further boosted sales during the period under review. The division recorded higher revenue and pre-tax profit of RM 93.5 million and RM 18.4 million for the period under review as compared to the preceding year's corresponding period of RM 84.6 million and RM 14.9 million, 10.5% and 23.5% higher respectively.

(ii) Wholesale division

Wholesale revenue declined by 8.1% to RM 26.0 million during the period under review mainly due to lower sales of premium patented medicine and depressed sales to duty-free shops as tourist traffic flow almost ground to a halt amid movement restrictions imposed due to the COVID-19 pandemic.

However, pre-tax profit increased from RM 2.8 million to RM 7.1 million mainly attributable to effective cost optimization initiatives, higher margins for Chinese medicated tonic and premium cooking wine, as well as a one-off gain from the disposal of vintage tea amounting to RM 0.8 million.

(iii) Retail division

Despite two aggressive members' sales campaigns during the period, buying momentum remained subdued especially for premium health supplement products. According to Retail Group Malaysia, the retail industry suffered a negative growth rate of 20.2% during the first half of the year due to the impact of the COVID-19 pandemic and associated movement restrictions. The division suffered a 9.6% drop in revenue to RM 16.1 million, but managed to break even thanks to concessionary rental costs for several outlets and lower outlet operating costs in general.

(iv) Other division

Revenue comprises 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 decreased by 16.7% from RM 2.1 million to RM 1.75 million mainly attributable to lower rental income from investment properties.



B2 Material changes in the profit before taxation for the quarter under review as compared with the immediate preceding quarter

Financial review for current quarter compared with the immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes
	31/10/2020 (RM '000)	31/07/2020 (RM '000)	
Revenue	66,137	71,246	(7.2%)
Gross Profit	26,141	26,124	0.1%
Operating Profit	13,462	13,545	(0.6%)
Profit Before Tax	13,547	13,653	(0.8%)
Profit After Tax	10,213	10,229	(0.2%)
Profit Attributable to Ordinary Equity Holders of the Parent	10,352	10,263	0.9%

For the 2nd quarter under review, revenue decreased by 7.2% to RM 66.1 million while pre-tax profit decreased only marginally to RM 13.5 million, compared with the immediate preceding quarter of RM 71.2 million and RM 13.7 million, respectively:

(i) MLM division

Members recruitment and renewals have normalized in the quarter under review, compared to the higher base in the immediate preceding quarter driven by aggressive marketing activities including the “Duit Raya” grand sales campaign. Furthermore, the third wave of COVID-19 pandemic outbreak has affected business activities and delivery service in East Malaysia.

Divisional pre-tax profit decreased by 17.0% to RM 8.4 million, reflecting lower revenue and higher promotion rebates in the current quarter under review.

(ii) Wholesale division

Divisional revenue was maintained at about RM 13.0 million, while pre-tax profit rose to RM 4.6 million as compared with the immediate preceding quarter of RM 2.5 million, mainly due to higher contribution from inter-segment sales and a one-off gain from the disposal of vintage tea amounting to RM 0.8 million.



(iii) Retail division

The phased relaxation of MCO helped to lift divisional revenue marginally by 4.2% to RM 8.2 million in the quarter under review, compared to the immediate preceding quarter of RM 7.9 million. Despite higher revenue, the division only managed to break even as it incurred higher outlet operating costs and personnel costs with most outlets returning to normal business hours.

B3 Commentary on prospects for the next quarter

The outbreak of COVID-19 has adversely affected global and domestic economic activities, with the number of global confirmed positive cases hitting new record as the pandemic enters its third wave. On a more positive note, recent developments on the vaccine front are providing some glimmers of hopes. In Malaysia, the implementation of the PRIHATIN Supplementary Initiative Package would help businesses and households to buffer and recover from the impact of the pandemic. The Group will continue to take proactivity measures to mitigate business risks and enhance adaptability, including leveraging on e-commerce and social media platforms to widen our reach while also adapting to the new normal of buying behaviour.

In the third quarter of the financial year, the MLM division will step up member recruitment with another attractive campaign, while also continuing with monthly flash sales to boost revenue. Also in the pipeline is an extended range of slimming lady wear, and the repackaging and reformulation of several star products to widen and strengthen its product portfolio to keep up with the current market trend. As the Chinese New Year (CNY) festive season approaches, both the Wholesale and Retail divisions will launch extensive CNY promotion campaigns through conventional channel as well as e-market platforms.

In view of the above, the Board of Directors expects the Group to remain profitable amidst the challenging business environment in the next quarter.

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

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

B5 Profit forecast / profit guarantee previously announced

There were no profit forecast or profit guarantee previously announced.



B6 Trade Receivables

Ageing analysis of trade receivables of the Group as at 31 October 2020 is as follow:

	RM '000
Not past due	12,560
Past due 1-30 days	472
Past due 31-60 days	164
Past due more than 60 days & not impaired	267
Past due more than 60 days & impaired	4
	<u>13,467</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 were not deductible for tax purpose and losses of certain subsidiary companies which could not be set off against profits of certain subsidiaries as no Group relief was available for tax purposes.

	Current quarter ended 31/10/2020 (RM '000)	Current year to date 31/10/2020 (RM '000)
Profit before taxation	13,547	27,200
Taxation at applicable tax rate – 24%	3,251	6,528
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in the profit or loss	83	230
Total Income Tax Expenses	3,334	6,758

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 as at 31 October 2020 were as follows :

Current period ended 31/10/2020				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowing	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	-
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				-

Preceding period ended 31/10/2019				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowings	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,248
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				1,248

The short-term borrowings comprised solely of trade facilities for working capital purpose which were denominated in RM currency. Apart from the working capital banking facilities, the Group did not have other drawn down banking facilities and the gearing level was 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 4 sen per share in respect of the financial year ending 30 April 2021 (31/10/2020: 3 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
	31/10/2020	31/10/2019	31/10/2020	31/10/2019
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent (RM'000)	10,352	7,318	20,615	15,061
Weighted average number of shares ('000)	290,259	290,426	290,259	290,426
Weighted average number of shares for diluted EPS ('000)	- *	- *	- *	- *
Basic earnings per share (sen)	3.57	2.52	7.10	5.19
Dilutive earnings per share (sen)	-	-	-	-

*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
	31/10/2020 RM' 000	31/10/2019 RM' 000	31/10/2020 RM' 000	31/10/2019 RM' 000
<i>Profit before taxation is arrived at after (charging)/crediting:</i>				
Interest income	163	260	348	515
Other income including investment Income	1,752	1,204	2,688	2,077
Interest expense	(71)	(78)	(140)	(146)
Depreciation and amortization on PPE & IP	(1,111)	(1,175)	(2,192)	(2,356)
Depreciation and amortization on Right-use-of-assets	(494)	(375)	(1,010)	(751)
Provision for and write off of receivables	397	41	(6)	(146)
Provision for and write off of inventories	(231)	(313)	(305)	(358)
Gain or (loss) on disposal of quoted or unquoted investment and/or PPE	914	-	914	-
Foreign exchange gain/(loss):				
- Realised	48	95	254	149
- Unrealised	23	(54)	(88)	(110)
Gain or loss on derivatives	-	-	-	-
Impairment loss	-	(13)	-	(26)
Reversal of impairment loss of inventories	14	-	397	-
Exceptional items	-	-	-	-