HAI-O ENTERPRISE BERHAD

(22544-D)

STAY FOCUSED

- Annual Report 2019 -

44th ANNUAL GENERAL MEETING

26 SEPTEMBER 2019

11.30 a.m.
Ballroom I, Level 2, The Federal Hotel
Kuala Lumpur

MISSION
企业理念

We are committed to promoting healthcare culture and improving human's well-being.
弘扬保健文化，创造幸福生活

VISION
企业使命

We aim to become the premier healthcare company in Malaysia and thereby bringing the greatest value and pride to our customers, business partners, employees and shareholders.
我们致力成为马来西亚最卓越的保健企业，为顾客，商业夥伴，员工及股东带来最高的价值与荣耀。

CORPORATE VALUES
企业价值

Social Responsibility	取之社会，用之社会
Excellent Services	至诚服务，以客为尊
Attitude	诚信进取，精益求精
Growing	持续成长，共同分享
Unity	群策群力，和衷共济
Loyalty	忠于职守，敬业乐业
Learning	自强不息，终身学习

WHAT'S INSIDE

Scan this QR code to view our Annual Report 2019 on your mobile or tablet or log on to our website at:
www.hai-o.com.my

CORPORATE INFORMATION
AS AT 27 AUGUST 2019

BOARD OF DIRECTORS

TAN KAI HEE
Group Executive Chairman,
Non-Independent

TAN KENG KANG
Group Managing Director,
Non-Independent

HEW VON KIN
Group Executive Director cum
Group Chief Financial Officer,
Non-Independent

CHOW KEE KAN @ CHOW TUCK KWAN
Senior Independent
Non-Executive Director

SOON ENG SING
Independent Non-Executive Director

TAN BENG LING
Independent Non-Executive Director

CHIA KUO WUI
Independent Non-Executive Director

TAN KIM SIONG
Independent Non-Executive Director

PROFESSOR HAJJAH RUHANAS BINTI HARUN
Independent Non-Executive Director

NG CHEK YONG
Independent Non-Executive Director

AUDIT COMMITTEE
Tan Beng Ling *Chairperson (Independent Non-Executive Director)*
Chow Kee Kan @ Chow Tuck Kwan *Member (Senior Independent Non-Executive Director)*
Tan Kim Siong *Member (Independent Non-Executive Director)*

COMPANY SECRETARIES
Cynthia Gloria Louis (MAICSA 7008306)
Chew Mei Ling (MAICSA 7019175)

AUDITORS
KPMG PLT (LLP0010081-LCA & AF 0758) Chartered Accountants

REGISTERED OFFICE
Unit 621, 6th Floor, Block A, Kelana Centre Point, No 3, Jalan SS7/19,
Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel : 03-7880 9699 | Fax : 03-7880 8699 |
E-mail : info@corporatepartners.com.my

BUSINESS OFFICE
Wisma Hai-O, Lot 11995, Batu 2, Jalan Kapar, 41400 Klang, Selangor, Malaysia.
Tel : 03-3342 3322 | Fax : 03-3342 8285 | E-mail : info@hai-o.com.my
Website URL : www.hai-o.com.my

SHARE REGISTRAR
Boardroom Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House,
Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.
Tel: 03-7841 8088 Fax: 03-7841 8100
Email: info.my@boardroomlimited.com

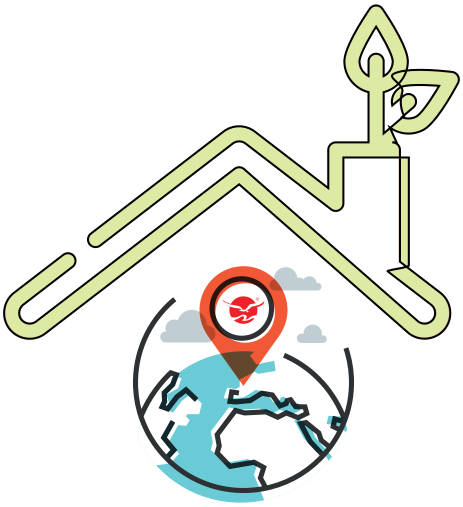
PRINCIPAL BANKERS
OCBC Bank (Malaysia) Berhad (295400-W)
Bank of China (Malaysia) Berhad (511251-V)
Public Bank Berhad (6463-H)
CIMB Bank Berhad (13491-P)

ADVOCATES & SOLICITORS
Raja, Darryl & Loh
Chooi & Company + Cheang & Ariff
Tee Tai Tzian & Sim

STOCK EXCHANGE LISTING
Main Board of Bursa Malaysia Securities Berhad
Stock Name / Code: HAIO 7668
ISIN : MYL766800006

GROUP CORPORATE STRUCTURE

OF MAIN OPERATING COMPANIES AS AT 27 AUGUST 2019



HAI-O ENTERPRISE BERHAD (22544-D)

WHOLESALE

Hai-O Medicine Sdn. Bhd.

Kinds Resource Sdn. Bhd.

Grand Brands (M) Sdn. Bhd.

Chop Aik Seng Sdn. Bhd.

Yan Ou Holdings (M) Sdn. Bhd.

• Yan Ou Marketing (Intl) Sdn. Bhd

MULTI-LEVEL MARKETING ("MLM")

Sahajidah Hai-O Marketing Sdn. Bhd.

• PT Hai-O Indonesia

RETAIL

Hai-O Raya Bhd.

Peking Tongrentang (M) Sdn. Bhd.

MANUFACTURING

SG Global Biotech Sdn. Bhd

• QIS Research Laboratory Sdn. Bhd

OTHERS

Hai-O Credit & Leasing Sdn. Bhd.

• Sri Pangkor Credit & Leasing Sdn. Bhd.

Hai-O Properties Sdn. Bhd.

Subsidiary Company

Joint Venture Company

GROUP FINANCIAL HIGHLIGHTS

	YEAR ENDED 30 APRIL				
	2015 RM '000	**2016 RM '000**	**2017 RM '000**	**2018 RM '000**	**2019 RM '000**
Revenue	239,851	297,629	404,240	461,696	328,407
Gross profit	85,529	101,436	132,528	161,547	125,894
Gross margin (%)	35.7%	34.1%	32.8%	35.0%	38.3%
Profit before tax	42,673	49,072	78,269	96,491	63,394
Profit after tax	30,424	36,565	59,415	72,521	47,447
Profit attributable to Owners of the Company	29,760	36,344	59,475	72,254	47,743
Net margin (%)	12.7%	12.3%	14.7%	15.7%	14.4%
Total Assets	305,861	321,382	364,301	395,999	364,235
Total Liabilities	40,030	52,401	68,132	77,076	43,561
Share Capital	101,095	101,095	149,327	157,092	157,256
Shareholders' Equity	253,865	257,374	284,815	307,905	310,219
Financial Indicators					
Return on Shareholders' Equity (%)	11.7%	14.1%	20.9%	23.5%	15.4%
Earnings per share (sen)^ *	10.15	12.47	20.54	24.88	16.43
Single Tier Dividend (sen)	15.0	15.0	16.0	20.0	13.0
Current ratio (times)	4.7	3.8	3.5	3.3	5.0
Net assets per share (sen)^^	87	89	98	106	107
Price earnings ratio (times)	23.16	20.37	18.55	19.93	15.64
Share Price as at the financial year end (RM)	2.35	2.54	3.81	4.96	2.57
Market Capitalisation as at the financial year end	475,147	513,563	1,137,871	1,489,309	771,766

Notes:
^ Calculated based on weighted average number of shares in issue, net of treasury shares and after adjusting for the Bonus Issue in FY2017.
^^ Equity attributable to owners of the Company after adjusting for the Bonus Issue in FY2017.
* FY2018 & FY2019 calculation after inclusion of shares issued pursuant to Employees' Share Option Scheme ("ESOS") exercised.

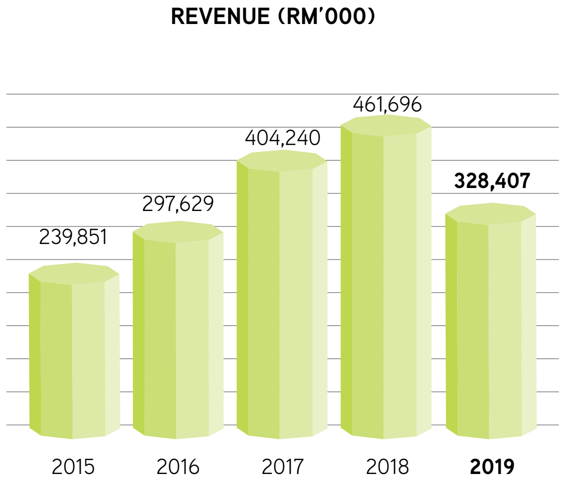
68%

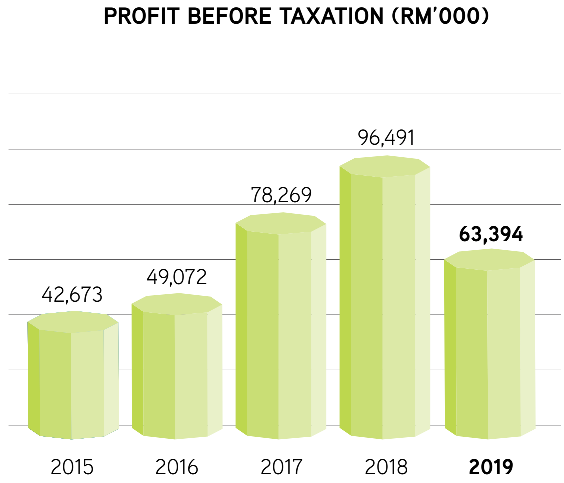
10 YEARS AVERAGE CASH DIVIDEND PAYOUT

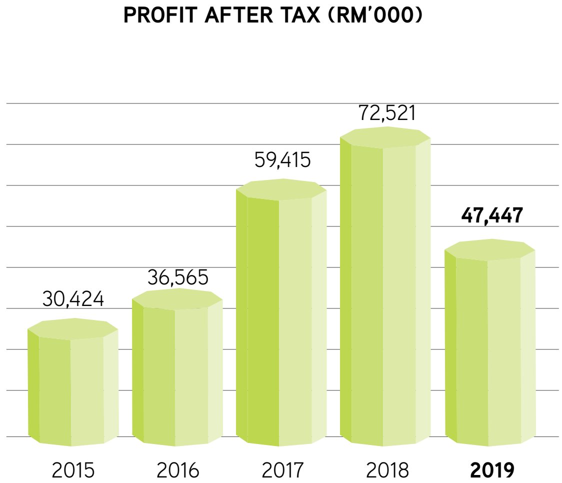
>RM319 million

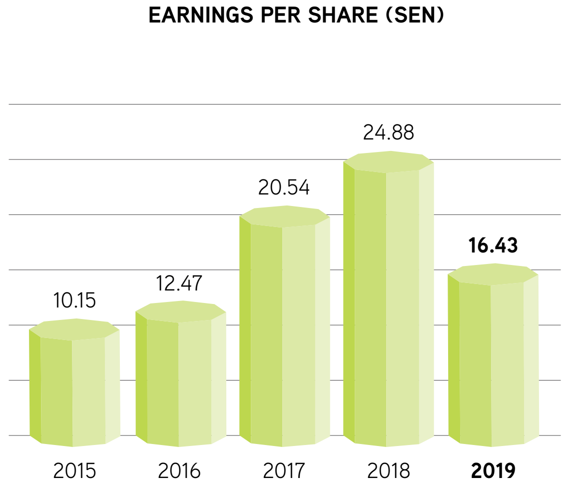
10 YEARS TOTAL CASH DIVIDEND PAYOUT

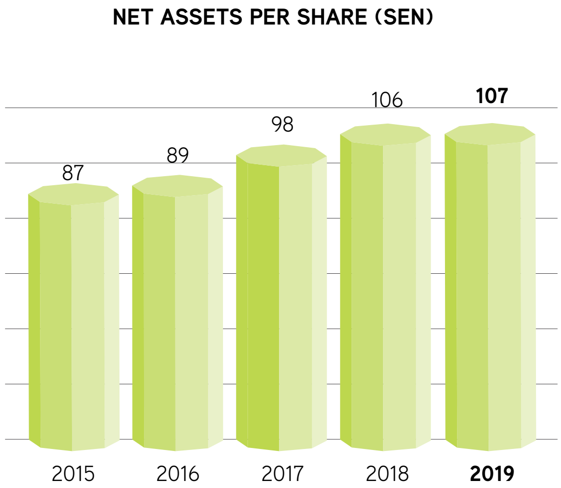
GROUP FINANCIAL HIGHLIGHTS

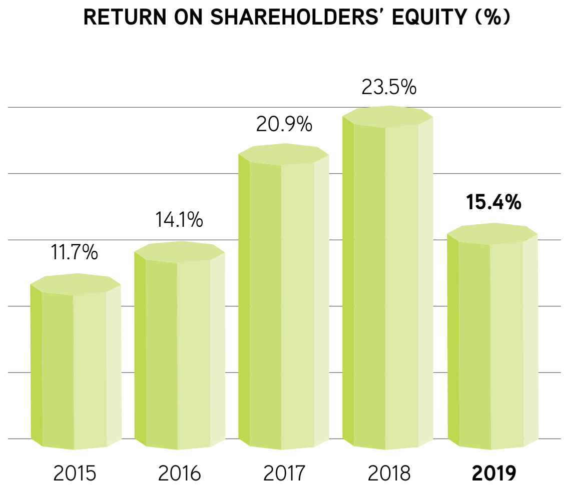












BOARD OF DIRECTORS










1	2	3
4	5	6
7	8	
9	10	

1. **TAN KAI HEE**
   Group Executive Chairman,
   Non-Independent
2. **TAN KENG KANG**
   Group Managing Director,
   Non-Independent
3. **HEW VON KIN**
   Group Executive Director cum
   Group Chief Financial Officer,
   Non-Independent
4. **CHOW KEE KAN @ CHOW TUCK KWAN**
   Senior Independent Non-Executive Director
5. **SOON ENG SING**
   Independent Non-Executive Director
6. **TAN BENG LING**
   Independent Non-Executive Director
7. **CHIA KUO WUI**
   Independent Non-Executive Director
8. **TAN KIM SIONG**
   Independent Non-Executive Director
9. **PROFESSOR HAJJAH RUHANAS BINTI HARUN**
   Independent Non-Executive Director
10. **NG CHEK YONG**
    Independent Non-Executive Director

PROFILE OF THE BOARD OF DIRECTORS

TAN KAI HEE

Group Executive Chairman,
Non-Independent
Age 82 / Male / Malaysian

Mr. Tan Kai Hee is one of the founders, main policy and decision-makers of the Company. Mr. Tan, a well-known businessman has more than 40 years of commercial experience in the trading business.

Apart from managing the Company's business, he is also an active social worker involved in community work for the past 40 years. Mr. Tan is the founder of the Malaysia-China Friendship Association (PPMC: Honorary Life President, Malaysia-China Medicine & Health Product Association (MCMHPA: President), Malaysia-China Chamber of Commerce (MCCC: Honorary President), Malaysia-China Culture & Arts Association (PKKMC: Advisor), and Vice President of China-Asean Business Association, Malaysia (CABA). Mr. Tan is also a Director of the Malaysia China Business Council (MCBC) and an advisor to the Federation of Chinese Physicians and Medicine Dealers Association of Malaysia (FCPMDAM).

In 2014, Mr. Tan has sponsored the formation of Yayasan Usman Awang, a non-profit organisation which honours the literary works of Malaysian National Laureate Dato' Usman Awang.

Mr. Tan was appointed to the Board on 30 August 1975 and was appointed as Group Executive Chairman on 1 February 2016. He is the Chairman of the Employees' Share Option Scheme (ESOS) Committee. He is a Director in Hai-O Raya Bhd and also holds directorship in several private limited companies.

Mr. Tan is the father of Mr. Tan Keng Kang, the Group Managing Director of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

TAN KENG KANG

Group Managing Director,
Non-Independent
Age 43 / Male / Malaysian

Mr. Tan Keng Kang has attended the course in International Economics at Beijing University, China in 1997. He joined Hai-O as an Operations Executive on 1 August 1998, mainly to support the operational activities of Hai-O's marketing arm.

On 1 May 2000, he was then promoted as a Sales Manager and Director of Chop Aik Seng Sdn Bhd, a subsidiary of Hai-O dealing in tea and other beverages.

Mr. Tan was appointed to the Board on 1 April 2012 and was appointed as the Group Managing Director on 1 February 2016. He is the Chairman of the Risk Management Committee and Sustainability Steering Committee. He is also a member of the ESOS Committee. He sits on the Board of Trustees of Yayasan Usman Awang and is also a director in Hai-O Raya Bhd. Currently, he also holds directorship in several private limited companies.

Mr. Tan involved in the strategic planning at Group level and manages the Group's operational activities and oversees the business development of Hai-O Group.

Mr. Tan actively involved in various trade and non-trade associations. He is an Advisor to Puer Tea Trade Association, Malaysia-China Friendship Association (PPMC: Secretary – General), China-Asean (Malaysia) Entrepreneurs' Association (Vice President), China Trade Promotion Association (Vice President) and also Advisor to China Entrepreneurs' Association in Malaysia (PUCM).

Mr. Tan Keng Kang is the son of Mr. Tan Kai Hee who is the Group Executive Chairman of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

HEW VON KIN

Group Executive Director
cum Group Chief Financial Officer,
Non-Independent
Age 57 / Male / Malaysian

Mr. Hew Von Kin is the Group Chief Financial Officer of Hai-O and has been working with Hai-O for more than 25 years.

He is one of the key senior staff who is involved in the strategic planning and financial management of the Group. He has helped to grow and build the business over the years.

Mr. Hew is proficient in Finance & Accounting, Financial Investments, Investors Relations and Strategic Planning & Management. He has responsibly and effectively led his team to take on various corporate exercises, investment and acquisition projects for the Group.

He is also one of the key persons who has helped Hai-O Board to develop and oversee the succession planning, human capital development and promoting CSR related works for the Group.

Mr. Hew was appointed to the Board as Group Executive Director on 1 February 2016. He is a member of the Risk Management Committee, Sustainability Steering Committee and ESOS Committee. He also sits on the Board of Trustees of Hai-O Foundation since 11 September 2014.

Mr. Hew is a member of the Chartered Institute of Management Accountants (CIMA).

He has no family relationship with any other director and major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

CHOW KEE KAN @ CHOW TUCK WAN

Senior Independent Non-Executive Director
Age 66 / Male / Malaysian

Mr. Chow Kee Kan is an approved auditor and chartered accountant. He started his own practice in 1984 and has as at to date more than 35 years' practical experience in accounting, auditing, taxation and corporate management consultancy.

He is presently a Trustee of the Malaysia Accountancy Research and Education Foundation (MAREF).

He is currently also an Independent Non-Executive Director of Cocoaland Holdings Berhad.

Mr. Chow was appointed to the Board on 1 April 2011 and was appointed as the Senior Independent Non-Executive Director on 1 August 2016. Mr. Chow is the Chairman of the Nominating Committee and also a member of Remuneration Committee, Audit Committee and ESOS Committee.

Prior to restructuring of the Board Committees on 17 December 2018, Mr. Chow was the Chairman of Remuneration Committee. He served as the Chairman of the Audit Committee from 17 December 2018 to 31 July 2019.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

SOON ENG SING

Independent Non-Executive Director
Age 43 / Male / Malaysian

Mr. Soon Eng Sing graduated with BSc. Business Administration (Magna Cum Laude) from Southern New Hampshire University, USA in 1998.

He obtained his Master of Business Administration (MBA) from University of Chicago Booth School of Business, USA in 2008.

He spent 13 years working in international investment and commercial banks in Singapore, Hong Kong, China and Malaysia, before venturing into consulting. His domain expertise is the areas of strategic human capital management, organisation development and leadership. He has managed teams and projects that span across multiple countries in the Asia Pacific region. Prior to banking, he worked in a local pharmaceutical company in Malaysia. He started his career as a management trainee in a Printed Circuit Board manufacturer in the United States.

Mr. Soon was appointed to the Board on 1 December 2015 as an Independent Non-Executive Director. He is a member of the Remuneration Committee until 16 December 2018 and redesignated to Chairman on 17 December 2018. He is also a member of the Nominating Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

TAN BENG LING

Independent Non-Executive Director
Age 56 / Female / Malaysian

Ms. Tan Beng Ling graduated with a Bachelor of Business Administration from the National University of Singapore in 1987 and is a CFA (Chartered Financial Analyst) charter holder.

Ms. Tan has more than 30 years' experience in investment research and fund management. She started her career as an economist with DBS Securities in Singapore, before returning to Malaysia as an equity analyst with Barclays deZoete Wedd Securities. She subsequently served with WI Carr, Arab-Malaysian Securities and was one of the founding members and CEO of Surf88.Com, an online research service provider which was an associate of The Star, the leading newspaper in Malaysia.

Ms. Tan joined the fund management industry in 2005 as the Chief Investment Officer of Meridian Asset Management, directly overseeing investments of more than RM1 billion in equities and fixed income.

She is currently the Chief Investment Officer and a partner at Kumpulan Sentiasa Cemerlang Sdn. Bhd., which provides investment management services to institutions and high net worth individuals. She is responsible for equities investments in Malaysia as well as regional markets.

Ms. Tan was appointed to the Board on 16 April 2018 as an Independent Non-Executive Director. She is a member of the Audit Committee until 31 July 2019 and redesignated to Chairperson on 1 August 2019. She is also a member of the Risk Management Committee and Sustainability Steering Committee.

She has no family relationship with any other director or major shareholder of Hai-O.

She has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on her by any regulatory bodies during the financial year.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

CHIA KUO WUI

Independent Non-Executive Director
Age 42 / Male / Malaysian

Mr. Chia Kuo Wui graduated with a Bachelor of Commerce, Accounting from Curtin University Western Australia in 2001. He obtained a Charles Sturt University Master of Business Administration from Help University College Kuala Lumpur in 2006.

He joined Hai-O Corporate Planning and Investor Relations Department in 2006 and held key positions in several Hai-O Group of Companies. Prior to joining Hai-O, he has worked in 2 public listed companies. He also holds directorship in several private limited companies.

Mr. Chia was appointed to the Board on 14 November 2008 and redesignated to Non-Independent Non-Executive Director on 2 January 2015. On 16 April 2018, he was redesignated to Independent Non-Executive Director. Mr. Chia is a member of the Risk Management Committee, Remuneration Committee, Nominating Committee and Sustainability Steering Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

TAN KIM SIONG

Independent Non-Executive Director
Age 43 / Male / Malaysian

Mr. Tan Kim Siong graduated with BBA & MBA from University of New Brunswick of Canada.

He acquired working experience in planning and marketing Investment Portfolios to clients when he was attached to one of the leading financial institutions in Malaysia.

Prior to setting up his own logistic firm in 2006, he was involved in housing development in Negeri Sembilan and has also gained business experience in China in the tile manufacturing industry.

He has since grown his logistic firm into one of the leading haulage companies in the industry. Throughout the years, he has acquired several companies to expand his business as a fully-integrated logistics provider.

Mr. Tan was appointed to the Board on 8 January 2014 as an Independent Non-Executive Director and is a member of the Audit Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

PROFESSOR HAJJAH RUHANAS BINTI HARUN

Independent Non-Executive Director
Age 68 / Female / Malaysian

Professor Hajjah Ruhanas graduated with M.A from Sorbonne University, Paris, Post Graduate Diploma in Political Studies from Institut d'Etudes Politiques, Paris, B.A (Hons.) in International Relations and Post Graduate Diploma in Translation from University of Malaya.

She is a Professor at the Department of Strategic Studies, Faculty of Management and Defence Studies (FPPP), National Defence University of Malaya (UPNM). She is a qualified translator and has taught extensively in Malaysia and abroad amongst others she has served as the Department Head of International and Strategic Studies in University of Malaya, a Lecturer and Professor in the Department of International Relations and Security Studies, National University of Malaya (UKM) and Malaysian Armed Forced Defence College, Kuala Lumpur. Hajjah Ruhanas researches, lectures and publishes on her area of expertise include Malaysia's foreign policy, national security and peace building and regional integration.

Hajjah Ruhanas is currently the Distinguished Fellow at the Malaysian Armed Forces Command and Staff College, Senior Fellow at the Malaysian Institute of Defence and Security (MIDAS) and Senior Fellow at the Regional Centre for Security Studies Kuala Lumpur.

Apart from making a mark as an expert on Malaysia's national security, Hajjah Ruhanas has also distinguished herself as Malaysia's leading expert on Indo-China. Besides teaching and researching, she has translated books and articles from French into Malay (published by Dewan Bahasa dan Pustaka). A linguist, she speaks fluent Malay-Indonesian, English and French, and intermediate German and basic Vietnamese. She is also actively involved in community volunteer works and NGOs.

Hajjah Ruhanas was appointed to the Board on 2 July 2018 as an Independent Non-Executive Director.

She has no family relationship with any other director or major shareholder of Hai-O.

She has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on her by any regulatory bodies during the financial year.

NG CHEK YONG

Independent Non-Executive Director
Age 62 / Male / Malaysian

Mr. Ng Chek Yong completed his A Level at Cambridge Higher School Certificate, St. Patrick School, Kuching, Sarawak, Malaysia. Mr. Ng joined Chinese Media Industry in 1979 and has served the industry for more than 38 years until his retirement from Media profession in October 2017. He began his career as a reporter/feature writer with See Hua Daily News in 1979. In 1988, he joined TO-DAY News Sabah as the Chief Reporter and then recruited by Sin Chew Media Corporation Berhad (SCMC) as a reporter on 1 August 1988. He was appointed as a Director of SCMC from 2006 until his retirement. During 2012 up to October 2017, he served as Managing Director of SCMC, prior to his promotion, he was the CEO of Mulu Press Sdn Bhd, a wholly owned subsidiary of SCMC from 2004 to 2012 and the Regional Editor of East Malaysia for Sin Chew Daily from 1997 to 2012.

Mr. Ng was appointed on 1 March 2012 to 3 October 2017 (retirement date) as an Executive Director of Media Chinese International Limited (MCIL), which was formed by the merger of Ming Pao Enterprise (Hong Kong), SCMC and Nanyang Press Holdings (NPH) dually listed on the Main Board of The Stock Exchange of Hong Kong and the Bursa Malaysia. He was the Chairman of the Group Executive Committee and a member of the Remuneration Committee during his executive directorship in MCIL. He was in-charge of the overall group operations of both SCMC and NPH in Malaysia and their overseas operations, including the media businesses in New York, Jakarta, Phnom Penh and Brunei Darussalam. Being in the Media Industry since the day he started his career, Mr. Ng is well versed in different means of mass communication and economic, cultural connectivity with the Chinese community. He has high level of awareness, familiarity and sensitivity to different views and life of the community, including the changes of habitual behaviour, ecosystem and trend. Mr. Ng is a literary veteran and also an active online analyst of politics, current affairs and market trend. He is currently the President of the Constellation Poetical Society Sarawak.

Mr. Ng was appointed to the Board on 2 May 2019 as an Independent Non-Executive Director and was appointed as member of the Risk Management Committee on 1 August 2019.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Notes:
The details of the Directors' shareholdings in the Company and its subsidiaries are disclosed on page 185 of this Annual Report.
The details of the conflict of interest with the Company are disclosed on page 90 of this Annual Report.

PROFILE OF THE KEY SENIOR MANAGEMENT

TAN KEE HOCK

General Manager
Age 61 / Male / Malaysian
Hai-O Enterprise Berhad

Mr. Tan completed his Pre-University studies. He has been with Hai-O since 1 April 1977 and is one of the pioneer staff. He was promoted as the General Manager of Hai-O on 1 July 2007. Prior to this, he was the Group Business Development Manager. Mr. Tan was assigned to oversee the Wholesale business operations for more than 15 years.

He has more than 30 years working experience involving business planning, sales and marketing and operations management. Mr. Tan has extensive knowledge in Malaysia-China business trade, particularly in traditional Chinese medicine and medicated tonic industry.

Mr. Tan is a Director in Hai-O Raya Bhd and holds directorship in several private limited companies.

He has no family relationship with any director or major shareholder of the Company and has no conflict of interest with the Company.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

THAM YOKE LON

General Manager
Age 50 / Male / Malaysian
Sahajidah Hai-O Marketing Sdn Bhd
(Principal Subsidiary of Hai-O)

Mr. Tham graduated with a Bachelor of Arts (Mass Communication) from Universiti Kebangsaan Malaysia in 1995.

He joined the Multi-Level Marketing division of Hai-O as the Senior Marketing Manager on 1 February 2012. Prior to joining Hai-O, he was attached with several private limited companies involved in the retailing and direct selling business.

He was appointed as the Assistant General Manager of Sahajidah Hai-O Marketing Sdn. Bhd. on 1 June 2014 and was thereafter promoted as the General Manager on 1 January 2016. He is a member of the Direct Selling Association of Malaysia (DSAM).

He has no family relationship with any director or major shareholder of the Company and has no conflict of interest with the Company.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

PHILIP TEO KHENG LEONG

General Manager
Age 41 / Male / Malaysian
Hai-O Raya Bhd

Mr. Philip Teo graduated with a Diploma in Hospitality Management from Stamford College in 1998 and Professional Certificate in Engineering (Computer/Telecommunication) from Informatics College, Malaysia in 2001.

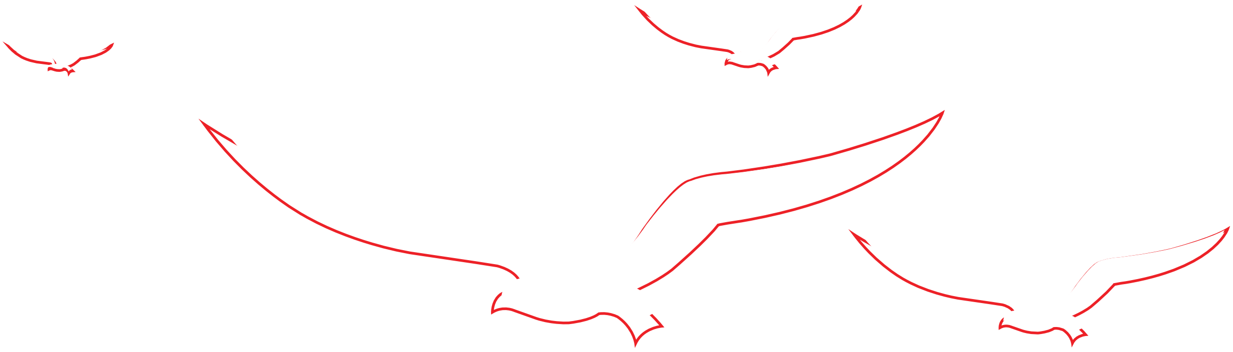
He joined Hai-O Raya Bhd, the Retail division of Hai-O as the Retail Operation Executive on 16 May 2005 and thereafter was promoted as the Retail Operations Manager and General Manager of Retail division on 1 July 2011 and July 2017 respectively.

Prior to joining Hai-O, he has gained working experience in administrative and operations of retail businesses and fast food chain companies for more than 2 years.

He has no family relationship with any director or major shareholder of the Company and has no conflict of interest with the Company.

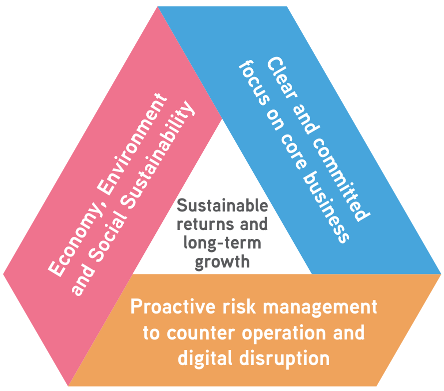
He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

CORPORATE PROFILE



The Hai-O Group has come a long way since our first retail shop opened in 1975 in Klang, Selangor. We were then focused on the businesses of import trading, wholesaling and retailing of Chinese herbal products and medicated tonics.

OUR OBJECTIVES

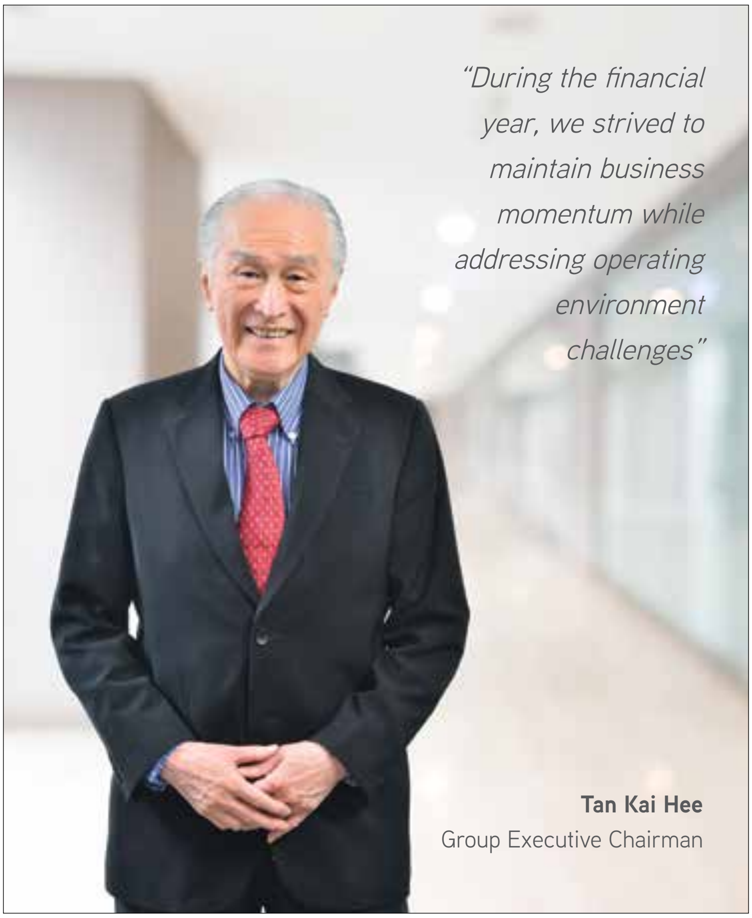


Over time, Hai-O has become an established household name offering a wide range of complementary medicines in the form of traditional Chinese medicines ("TCM"), as well as wellness, beauty and healthcare products. Through a joint venture arrangement with the world-renowned Beijing Tongrentang, Hai-O has also expanded to provide clinical services since 2002 and offering TCM consultation services. In addition, we expanded our business to include TCM contract manufacturing as well as manufacturing of health food and food supplements.

Currently we have business presence nationwide with 57 retail chain stores, 37 Multi-Level-Marketing ("MLM") branches, stockists and sales points, and 2 manufacturing plants with certification from ISO, HACCP, GMP and US FDA, across Malaysia. Apart from transforming the "Hai-O" brand into a household brand name through our retail business, we have strengthened our foothold in wholesaling. Today, Hai-O is one of the major suppliers of Chinese herbal products and medicated tonics to a large number of traditional Chinese medical halls and duty-free shops. Throughout the years, we experienced tremendous growth and our foray into the business of MLM in 1992 marked a quantum leap of the Group's business expansion. To-date, MLM, Wholesale and Retail segments are the 3 major strategic businesses of the Group. Our businesses are located across the whole Malaysia which accounted for almost 100% of the Group's revenue. We also have business ventures in Brunei and Indonesia, which has minimal revenue contribution for the financial year ended 30 April 2019.

Hai-O was listed on the then Second Board of Kuala Lumpur Stock Exchange ("KLSE"/ "Bursa Securities") in December 1996 as the first traditional healthcare company being listed on KLSE. Hai-O was subsequently transferred to the Main Board of Bursa Securities in October 2007 reflecting the scale of the Group's achievement throughout the years. From a humble beginning with a small start-up capital, Hai-O has over the years been resilient to ride through many business challenges with an equity base of more than RM300 million to-date.

CHAIRMAN'S STATEMENT



Dear Shareholders,

The financial year ended 30 April 2019 ("FY2019") was a year marked by many changes and turbulences in the domestic and global landscape.

Despite the trying times that we faced, the Group continued to operate profitably as we strived to maintain business momentum while addressing the operating environment challenges. On behalf of the Board of Directors ("Board"), I am pleased to present to you the Group's Annual Report and Financial Statements for FY2019.

Based on Bank Negara Malaysia's 2018 Annual Report, the Malaysian economy expanded by a moderate rate of 4.7% in 2018 (2017: 5.9%), with a noticeable slowdown particularly in the second half of the year. The slower pace of growth reflected the impact of various external and domestic challenges including the historic change of government in Malaysia and the associated policy and political shifts, as well as escalating global trade tensions which took a toll not only on global trade but even more on market sentiment and consumer confidence. The resilience of the domestic economy was commendable in the face of adversities, but the high level of uncertainties inevitably affected overall business activity including that of the Group.

The Group posted weaker earnings in FY2019 compared to the previous financial year but managed to further strengthen our balance sheet. Against the backdrop of a subdued economy, I believe the Group has delivered a satisfactory performance underscoring our resilience in the challenging business environment.

Financial Performance

Our financial year, which commenced from 1 May 2018, almost coincided with the bearish turn in market sentiments in mid-2018. The Group closed FY2019 with a revenue of RM328.4 million and profit before taxation ("PBT") of RM63.4 million, which represented a decrease of 28.9% and 34.3% respectively as compared to the previous financial year. This was attributed to lower sales across all three of the Group's major business divisions, i.e. MLM ("Multi-Level Marketing"), Retail and Wholesale, with MLM taking the hardest hit. The change in tax regime from Goods and Services Tax ("GST") to Sales and Service Tax ("SST") had a pronounced impact on the MLM division as purchase decisions were deferred amidst the transitional uncertainties.

Despite the subdued earnings performance, the Group's balance sheet remained strong. Backed by our profitable businesses and good working capital management, the equity attributable to owners of the Company as at the end of FY2019 stood at RM310.2 million (FY2018: RM307.9 million) that translated into a net asset per share of RM1.07 (FY2018: RM1.06).

CHAIRMAN'S STATEMENT (CONT'D)

The closing cash and cash equivalents and other investments in the form of financial assets as at end-FY2019 stood at RM95.1 million (FY2018: RM126.6 million). The decrease was primarily due to higher cash dividend paid, the increase in inventory holding, as well as investments in property, plant and equipment during the year. The Group remained in a net cash position which gave us significant funding flexibility. The Group had minimal borrowings which was incurred for trade financing purposes as at end-FY2019.

The key performance measurements used to assess profitability, balance sheet strength and shareholder return, are outlined below:

RM328.4 million
Revenue
28.9% decrease from FY2018

RM63.4 million
Profit before taxation
34.3% decrease from FY2018

RM0.13
Dividend per share
80% payout ratio

RM310.2 million
Net assets
(equity attributable to owners of the Company)
0.7% increase from FY2018

RM364.2 million
Total assets
8.0% decrease from FY2018

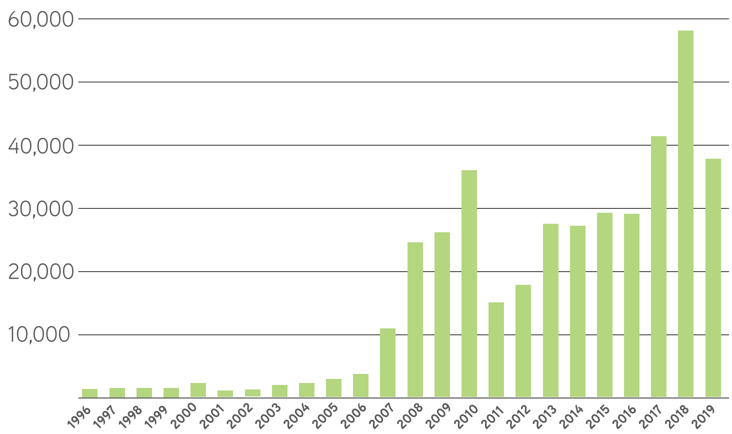
SHOM celebrated 26th Anniversary "Embrace The Future" with leaders and distributors.

Sustainable Return to Shareholders

The Hai-O Group seeks to maintain a payout ratio that is sustainable over the long term as we endeavour to reward our shareholders for their continued support to the Company through cash dividends, while retaining sufficient working capital for growth with a strong balance sheet position.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board has recommended a final dividend of 9 sen per share, bringing the total dividend for the year ended 30 April 2019 to 13 sen per share. This represents a dividend payout ratio of 80% of profit after taxation ("PAT"), or a total of RM37.7 million for our shareholders for FY2019. This is above our targeted payout ratio of not less than 50% of the Group's PAT, due to the Group's strong balance sheet position and funding flexibility.

Cash Dividend Payout
(RM'000)



CHAIRMAN'S STATEMENT (CONT'D)

Looking Ahead

Looking ahead, the global and domestic economic uncertainties are expected to continue into the next financial year. In 2019, the global economy is projected to post slower growth across both advanced and emerging nations. Against this backdrop, the Malaysian economy is expected to register a growth of 4.3% – 4.8% in 2019 (2018: 4.7%), but with potential downside risks. Private sector activity will continue to cushion growth amid continued rationalisation in the public sector.

To manage the prevailing uncertainties, the Hai-O Group will leverage on technology to achieve cost optimisation. Our digital transformation journey will continue to be our key strategic initiatives moving forward. This will enable the Group to provide better service to our MLM members who is in excess of 120,000 members as well as our 136,000 Hai-O Friendship members in Retail segment.

I am confident that the Group's strong fundamentals established over the years will continue to sustain the Group's businesses and uphold our commitment to provide returns to our shareholders. The Board and the management team are diligent and well positioned to meet the challenges and opportunities ahead. I am glad to have the support of a good management team to execute business strategies that will create sustainable value for our shareholders, customers and employees.

Board Changes

I would like to take this opportunity to acknowledge the significant contributions of Y.Bhg. Datin Seri Sunita Mei-Lin Rajakumar ("Datin Seri Sunita") to the Board of Hai-O over the last 10 years. Datin Seri Sunita has resigned from the Board in March 2019 due to other business and work commitments. On behalf of the Board, I would like to thank Datin Seri Sunita for her friendship and her valuable contributions to the Board's deliberations, and I wish her all the best.

To our newly appointed Independent Director – Mr. Ng Chek Yong ("Mr Ng"), a warm welcome to the Board. Mr. Ng is a literary veteran and also an active online analyst of politics, current affairs and market trends. Mr. Ng has a strong background in mass communications, economic and cultural connectivity, backed by more than 38 years' experience in the media industry. I look forward to working together and leveraging on Mr. Ng's expertise in the media industry to take Hai-O Group to greater heights.

Commitment to Sustainability

Our strategy and approach to sustainability are integral to how we operate and fulfil our responsibility as a good corporate citizen. During the financial year, we undertook periodical assessments of our sustainability responsibilities and identified the core areas of focus for our business in order to deliver positive change to the Hai-O Group and to our stakeholders. Our objective is to seek a win-win balance between financial goals and the well-being of society and the environment. As we undertake business activities which yield financial benefits, we also strive to add values towards a better society and the environment.

In this Annual Report, we have included the Sustainability Statement on pages 29 to 60. I invite you to review the full statements, and thank you for your interest.

Appreciation and Acknowledgement

On behalf of the Board, I would like to express our gratitude to all stakeholders who have contributed towards the Group's success. A big thank you to all our customers, distributors, business partners, government agencies and shareholders for your continued support. To our employees and distributors, we thank you for your unwavering dedications which make it possible for the Hai-O Group to sustain profitability and returns to shareholders.

My sincere appreciation to all Board members for their invaluable support and guidance in fulfilling their fiduciary responsibilities and providing strategic business directions to the Hai-O Group while observing the highest standards of governance, ethics and integrity at all times.

Thank you.

Tan Kai Hee
Group Executive Chairman
8 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

BY GROUP MANAGING DIRECTOR

This MD&A is to provide information on major aspects on the financial performance of Hai-O and its subsidiaries ("Hai-O Group" or "Group") and actions taken to achieve these financial results, outline the actions taken by the Group to operate in a sustainable and reliable manner as well as highlights of the Group's business strategies for the upcoming financial year.

The information contained in this MD&A may include some forward-looking statements that are subject to risks and uncertainties, which may cause some variances between the actual results and the expectations communicated in these forward-looking statements. Accordingly, these forward-looking statements should not be construed as a forecast of Hai-O Group's future performance. Given such uncertainties, readers are cautioned and advised not to place undue reliance on these forward-looking statements.

We continue to operate under 3 core business segments i.e. Multi-Level Marketing ("MLM"), Wholesale and Retail, which collectively contribute approximately 93% of Hai-O Group's earnings for the financial year ended 30 April 2019 ("FY2019"). Our non-core divisions of manufacturing, credit & leasing, insurance agent, investment holding and property holding contribute approximately 7% of the Group's earnings.

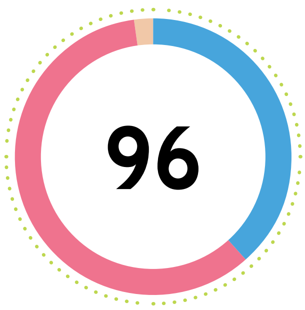
OUR CORE BUSINESS

MLM - Multi level direct marketing of nutritional food & beverage, wellness supplements, skincare, beauty & cosmetic, personal care and household products

Wholesale - Wholesaling and trading in patent medicines, medicated tonic, healthcare products, herbs and tea

Retail - Operating traditional complementary medicines ("TCM") retail chain stores and provide Chinese physician consultation services

OUR NATIONWIDE PRESENCE



- 37 MLM branches, stockists and sales point
- 57 Retail chain stores and franchises
- 2 International standards manufacturing facilities

The Group operates primarily in Malaysia with a total of 96 business setups comprising:

- 37 MLM branches, stockists and sales points spanning across both Peninsular and East Malaysia as well as 1 branch in Brunei;
- 57 retail chain stores and franchises, primarily located in the Klang Valley, with a foothold in all major states in Malaysia; and
- 2 international-standard manufacturing facilities with accreditation from ISO, HACCP, GMP and US FDA. One of our manufacturing facilities located in Klang, Selangor is Halal certified by Jabatan Kemajuan Islam Malaysia (JAKIM).

MD&A (CONT'D)

The Group's products are predominantly distributed locally. The Group's ventures in Brunei and Indonesia have not seen material development during the year.

During the FY2019 financial year, we remained focused on delivering returns to shareholders. The Group's business initiatives and actions were supported by a strong balance sheet and commitment to improve operational efficiency while managing risks. This has helped us to withstand many unforeseen challenges during the year coming from both the domestic and global fronts. In Malaysia, the unexpected change in government brought significant uncertainties in terms of policies which affected Hai-O directly and indirectly. The transition from the Goods and Services Tax ("GST") to the Sales and Services Tax ("SST") regime has directly affected our core consumer businesses as consumers deferred purchase decisions pending clarity of the new tax regime. In addition, various policy uncertainties also dented consumer confidence and led to weaker overall spending as consumers turned more cautious. Externally, escalating trade frictions between the US and China have taken a toll on economic activity in Asia as evident in slowing export activities almost across Asia.

In response to the challenging domestic and global economic conditions, we have broadened our products base to focus on small ticket items in FY2019, stepped up promotional events and rewards to drive sales, drove efforts to achieve greater productivity, cost efficiency and optimisation, while continuing to manage and capitalise on threats/opportunities arising from digitalisation. We believe these proactive business initiatives implemented during the year would put us in good stead for the future.

FINANCIAL RESULTS

As a result of the prolonged weakness in consumer spending, the Group recorded a 28.9% drop in revenue to RM328.4 million in FY2019, compared with RM461.7 million recorded in the previous financial year. This was primarily attributed to the MLM segment which suffered a more than 30% drop in revenue, whilst the Wholesale and Retail segments were relatively more resilient with sales declines of 7.4% and 2.4% respectively. The Group's profit before taxation ("PBT") dropped by 34.3% to RM63.4 million from RM96.5 million in the previous financial year. This set of results should be seen in the context of the very challenging business environment in FY2019, and also an exceptionally good year for the Group in FY2018 driven by the MLM division's 25th anniversary sales events. Furthermore, profitability in FY2019 was also affected by higher marketing and branding costs as well as expenses associated with corporate social responsibility ("CSR") activities undertaken by the Group.

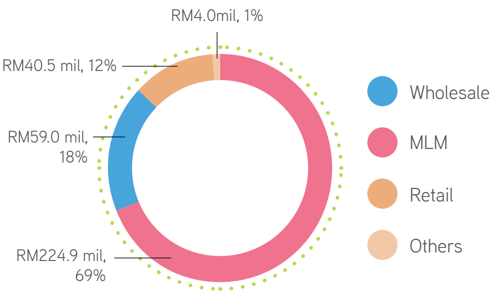
FY2019 FINANCIAL HIGHLIGHTS

Equity attributable to owners of the Company
RM310.2 million
▲ 0.7% from FY2018

Cash and cash equivalents and short-term investments
RM95.1 million
▼ 24.9% from FY2018

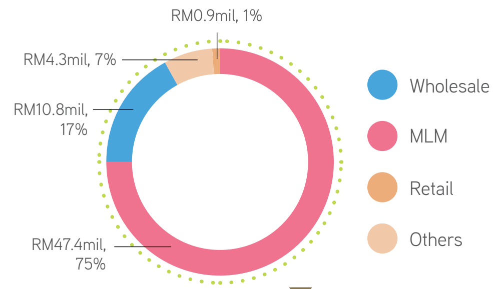
Dividend per share
RM0.13
▼ 7 sen from FY2018, but represents 80% payout ratio

Revenue
RM328.4 million



▼ 28.9% from FY2018

Profit before tax
RM63.4 million



▼ 34.3% from FY2018

MD&A (CONT'D)

BALANCE SHEET REVIEW

The financial position of the Group remained robust with total assets of RM364.2 million as at 30 April 2019, out of which RM95.1 million comprised highly liquid assets in the form of cash and cash equivalents and short-term investments, which was in line with the Group's mainly cash-based businesses. Total liabilities of the Group as at 30 April 2019 amounted to RM43.6 million, which comprised largely trade-related payables. As at the end of the financial year, the Group had minimal borrowings of RM0.3 million which were incurred for trade financing purposes. The equity attributable to ordinary holders of the parents as at 30 April 2019 was RM310.2 million, equivalent to RM1.07 per share.

CASH AND CAPITAL MANAGEMENT

The cash & cash equivalents plus other short term investments in cash & money market funds via unit trust placement totalled RM95.1 million as at 30 April 2019. This was lower compared to the previous financial year, reflecting higher cash dividend payout, the increase in inventory holding as well as additional investments incurred for property, plant and equipment ("PPE") during the year. Cash utilised to reward shareholders' loyalty in the form of dividend amounted to RM52.3 million in FY2019, of which RM40.7 million was in respect of interim and final dividends declared for FY2018 but paid in FY2019. For FY2019, an interim dividend of 4 sen per ordinary share amounting to RM11.6 million was paid during the financial year and a final dividend of 9 sen per ordinary share is recommended by the Board, subject to the approval of shareholders at the forthcoming Annual General Meeting.

FY2018 **RM8.7 million** 2nd interim dividend of 3 sen paid in June 2018	FY2018 **RM32.0 million** Final dividend of 11 sen paid in November 2018	FY2019 **RM11.6 million** Interim dividend of 4 sen paid in March 2019	**RM52.3 million** Total Cash Dividend Paid in FY2019

There was no major change in share capital of the Company save for the issuance of 34,000 new ordinary shares arising from the exercise of options under the Group's employees' share option scheme. There was also no major capital investment during the financial year, apart from the additional investments incurred for setting up of new MLM branches in East Malaysia, refurbishment and upgrading of PPE and acquisition of an investment property amounting to RM8.3 million.

January 2019 - The official launch of "Menara Hai-O", following the refurbishment and upgrading of building facade and facilities.

REVIEW OF SEGMENTAL OPERATIONS

MLM SEGMENT

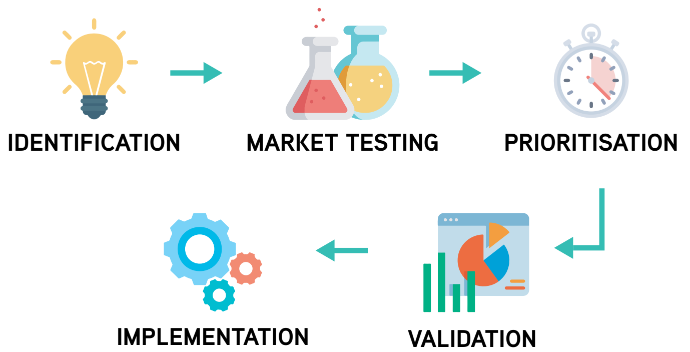
The MLM segment saw a contraction in revenue and profit in FY2019, the first decline after 4 years of consecutive growth. Negative consumer sentiment due to domestic and global uncertainties, compounded by issues surrounding the transition to SST, took a big toll on this segment. The cutback in members' spending and the slowdown in recruitment and renewal reduced MLM's revenue by RM127.6 million or 36.2% to RM224.9 million in FY2019, down from RM352.5 million in the previous financial year. Corresponding, PBT fell 32.6% from RM70.3 million to RM47.4 million. The preceding financial year was an exceptional year for this segment, which exacerbated the plight in FY2019. The MLM division celebrated its 25th anniversary in FY2018 with a series of aggressive promotional activities and incentives which were launched amidst a very strong economic momentum. The sudden and sharp reversal in sentiment in FY2019 was hence a double whammy compared against a record FY2018.

2019 MLM FOCUS AREAS

- Building strong foundation in product offering
- Aligning incentive framework
- Further migration to e-application
- Raising standards of responsible and ethical conduct

Although the deterioration of market conditions in FY2019 was not fully anticipated, the strong foundation built over the years has helped us to ride the storm. Our committed distributors and staff and our focus on product quality and costs will continue to anchor this segment in the years ahead. During the challenging year, the MLM segment has continued to take various proactive steps to reinforce our product offering, build members' loyalty, recruit new members while also striving to achieve greater productivity, cost efficiency and optimisation as we manage and capitalise on threats/opportunities arising from digitalisation. Indeed, MLM's higher PBT margin in FY2019 was testimony to some of these efforts.

Building strong foundation in product offering – Our diverse product base which caters to a wide range of consumers is one of our critical success factors. The MLM segment launched a total of 22 stock keeping units ("SKU") range of products in FY2019, raising our product range to more than 240 SKU spanning from nutritional food & beverage, wellness supplements, skincare, beauty & cosmetic to personal care and households products. The products launched in FY2019 included 2 new product lines, i.e. Kidivo and Sweetality, while the rest were extension of existing product lines. The MLM segment has shifted its new product focus to smaller ticket items, bearing in mind the cautious consumer spending pattern against the backdrop of a more moderate pace of economic growth.



We adopt a simple yet effective way for product development and expansion. Firstly, we are sensitive to market needs and will identify products which are in demand by the market whilst taking into consideration environmental sustainability and long term objectives of the Group.

Market testing and sampling will next commence to better gauge market response before identified products are finalised.

Products identified need to be prioritised and validated in terms of cost optimisation, production safety and product quality so that product launches can be planned for maximum market impact to ensure MLM segment will continue to create value for the stakeholders of the Group.

The final phase will be the commencement of production and the execution of marketing and launching plan.

Using the product development approach above, SKU introduced in FY2019 centred mainly on skincare & cosmetic, nutritional food & beverage, fashion products under Infinence and infant care products.

A notable mention during the year is BB+Glo, which is an enhanced version of BB Plus with Collagen, a collagen drink which boasts antioxidant goodness of blackcurrant with enhanced health benefits.

Also to note is M-Ginkgo, a natural health supplement to enhance mental alertness and memory.

NEW PRODUCT LAUNCHING AROUND THE YEAR

Fashion Products - Infinence




Infant Care


Skincare and Cosmetic


Nutritional Food & Beverage





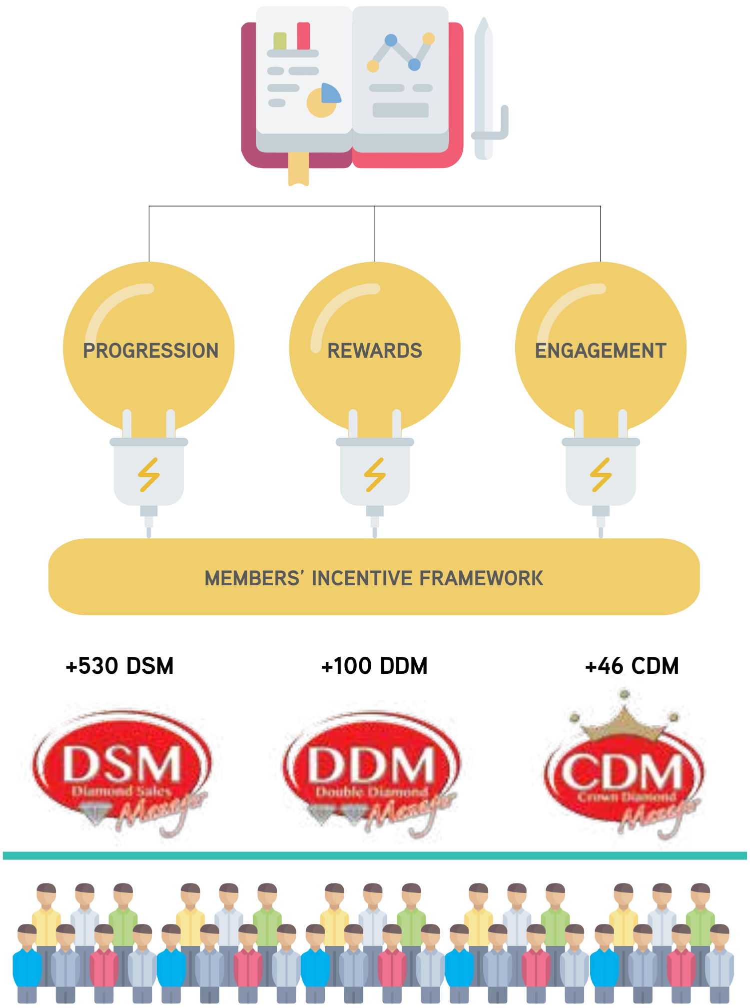
To penetrate a new product market, the MLM segment introduced Kidivo for infant care, using only all natural and non-GMO sources of raw materials in the production. We kick-started Kidivo product range with 2 products, namely, "Natural Head-to-Toe Wash" and "Natural Moisturizing Lotion", which received encouraging response from our members.

Leveraging on the success of one of our best-selling products – Bamboo Salt, we introduced "Sweetality", a low-calorie natural sugar replacement derived from sugar cane extract. We also launched 2 other nutritional food & beverage in FY2019: "Shake Me Cocoa", a wholesome delicious protein drink and "Prolicious", a special blend of food and vegetable enzyme, prebiotics and probiotics which promote digestion and gut health.

We have seen promising responses from our members on the newly added small ticket products and are confident that these products will support sales in a meaningful way when the overall market sentiment improves.

MD&A (CONT'D)

Aligning incentive framework – Members' recruitment and retention has always been a priority of the MLM segment. We appreciate our dedicated members who play a pivotal role to promote our products and eventually drive sales growth. We regularly review our incentive and reward framework to ensure that the objectives of our members and the Company are aligned. Progression, Rewards and Engagement are the 3 focus areas under the incentive framework which have been reviewed and re-aligned during the FY2019.



As at the close of the FY2019, our distributor force stood at more than 120,000 members. The number of active members has reduced by approximately 20% as compared to the previous financial year, mainly due to lower members' renewal rate as well as the slowdown in new members' recruitment. We see the lower renewal/recruitment rate as a temporary setback and have proactively managed the issue through various campaigns including special packages for new sign-ups and renewals to accelerate members' recruitment efforts.

Our existing base of more than 120,000 active members remain productive entrepreneurs who will continue to build our MLM business despite prevailing challenges. To sustain members' buying interest, the 24-hour flash sales have been conducted on the 11th of every month since February 2019.

Our efforts to help distributors grow has continued to pay off. In FY2019, 530 members successfully attained the ranking as Diamond Sales Managers ("DSM"), 100 members took a step forward to Double Diamond Managers ("DDM") and 46 members advanced to Crown Diamond Managers ("CDM"). These outstanding and dedicated entrepreneurs were recognised at various gala celebrations organised by the Company including among others, the Diamond Night and Sahajidah Hai-O Marketing Sdn Bhd ("SHOM") Anniversary Celebration held at Setia City Convention Centre, Selangor.

We have also rolled out new initiatives to further foster a productive distributor force. We took steps to enhance members' engagement through improved marketing and customer service management system, and also introduced Diamond Star Awards in addition to the recognition of Excellence Awards for outstanding achievers during the year.

Incentive trips have been one of our proudest traditions to reward our dedicated members. Highlight for the year included trips to Paris, Switzerland and Kunming China, as well as the Jakarta Business Conference Campaign. In total, 1,222 distributors qualified for the incentive trips in FY2019, with a number of high achievers qualifying for all 3 trips. Incentive trip reward serves to recognise the commitment of the distributors, foster distributors' engagement and expand business potentials.

MD&A (CONT'D)

The outstanding and dedicated MLM distributors were recognised by the Company at various Gala events.

The MLM segment also regularly organises multiple engagement events with the distributors. Some of these activities include the Annual CDM Convention, Nationwide SHOM Products Roadtour and Strategic Mega Event. In total, 84 training and engagement sessions were held in FY2019. Some of the events were organised in collaboration with CDMs for training, membership expansion and to seek market feedback.

Further migration to e-application – To prepare the business for the inevitable disruption caused by technology, we have embarked on the journey of digitalisation since 2016. During the FY2019, we focused on enhancing applications which enabled distributors to monitor their routine tasks / sales and to get updates on periodic promotions. Amongst various changes we introduced/enhanced during the financial year were e-Renewal-for-Distributors, Members' E-Commerce Portal, as well as e-Customer Services channel e.g. WhatsApp and telegram as marketing tools. New applications and updates were added to the existing digital platforms to increase efficiency and effectiveness. The features of our members' online portal which could be viewed on mobile phones has been enhanced to cover areas such as product information, marketing and event updates and registration, business opportunities and e-commerce. Some of the enhancements for e-application pave the way towards a paperless business environment, while other added features help to provide frequent updates on promotional activities.

MD&A (CONT'D)

Incentive Trip reward serves to recognise the commitment of distributors and foster distributors' engagement.

The Group is also working to introduce a "Track & Trace" feature for one of our existing digital platforms to verify product authenticity. This new feature will allow members to verify the authenticity of the products purchased from SHOM using a few simple steps of scanning and verification.

With the progressive digital development, sales transacted through e-commerce transactions have risen to 7.54% of total MLM sales in FY2019, up from 6.52% in the preceding financial year.

Raising standards of responsible and ethical conducts – Our distributors are our frontline representatives who interact with end customers to sell products that meet market demand. In view of this, we have actively taken steps to train our distributors to enhance their sales ethics, professionalism and productivity. During FY2019, product training sessions were held on a regular basis to provide intensive training on product features and efficacy. We also conducted ethical conducts training to make sure that distributors abide by the Health Ministry Malaysia Guidelines in terms of product disclosure standards and that they market our products responsibly without making misleading or unverifiable statements. In addition, we took steps to emphasise that unethical price wars among distributors are prohibited under SHOM's code of conduct, and that price-cutting will not be a sustainable way of doing business.

MD&A (CONT'D)

WHOLESALE SEGMENT

Currently, Hai-O's Wholesale segment supplies to more than 100 wholesalers and 2,000 retailers including Chinese Medical Halls, restaurants, supermarkets, hypermarkets and pharmacies in Malaysia. We are the exclusive distributor for over 50 renowned brands of traditional Chinese medicines, health tonics, teas and other healthcare products. The Wholesale segment also serves an important role as the centralised purchasing support for the MLM and Retail segments.

For FY2019, the Wholesale segment recorded revenue of RM59.0 million, which was 7.4% lower than RM63.7 million in FY2018. Segment PBT declined to RM10.8 million from RM19.8 million in FY2018 as a result of lower revenue as well as the Group's higher CSR expense of RM1.4 million which was absorbed under the Wholesale segment. Higher expenses were also incurred to implement initiatives to penetrate new markets and enhance existing customers' incentive structure to sustain business momentum given the general slowdown in overall business activities. Among the promotional activities undertaken were incentive trips to Chengdu, China and Bali, Indonesia as well as a lucky draw contest held to improve the sales of 10 traditional Chinese herbal wines which was opened to all wholesale, retail customers and end consumers.

During the financial year, the Wholesale segment continued to expand its product range and market reach. New products introduced included the Red Star Wine brand "Traditional Brew - 古酿", 八年棉柔 and 醇和紫坛, and non-alcoholic products such as the Medetop coconut oil range of products, Yuyuantang jasmine and rosebuds tea, soluble water chestnut and sugarcane essence, and various other food products.

2019 WHOLESALE FOCUS AREAS

- New market penetration
- Versatile products assortment
- Enhanced incentives structure
- Ongoing collaboration with Retail segment

In terms of market reach, the Wholesale segment has played a more proactive role in FY2019 to promote the Group's products as part of a healthy lifestyle to the young to middle-age group of consumers. Social media networks such as Facebook, Instagram and YouTube were used to raise awareness on the importance of health food and food replacement supplements to suit the current fast paced and on-the-go lifestyle.

Follow us **@HAIOGROUP**

MD&A (CONT'D)

Collaboration with Local Association of Women's Division showcased the use of Hai-O's products in preparation of traditional dishes.

Various brand awareness events were also held in strategic collaborations with business partners such as pharmacies, restaurant chains and mainstream newspapers. Among others, the Chang Yu Night which was held in Genting in November 2018 was co-organised with Sin Chew Daily, while other events in collaboration with Local Association of Women's Division showcased the use of Hai-O products in the preparation of traditional dishes. The latter attracted more than 800 participants.

As part of the efforts to expand overseas, the Wholesale segment has collaborated with our subsidiaries Yan Ou Holdings (M) Sdn Bhd and Yan Ou Marketing (Intl) Sdn Bhd to distribute the Sarangyan brand bird's nest products both locally and in China. The production facility for Sarangyan bird's nest products are internationally certified by HACCP, GMP and JAKIM. We have also obtained the Certification and Accreditation Administration of the People's Republic of China ("CNCA") to facilitate the export of Sarangyan. Sarangyan is available at main shopping malls at KLCC, Pavilion and Guardian in KLIA.

Capitalising on our existing market base, the Wholesale segment has received encouraging response from the sale of Hai-O healthcare hampers through supermarkets and hypermarkets, including Aeon, Tesco and TF Value Mart. The number of hampers sold via these distribution channels increased by more than 50% during the festive seasons in FY2019.

The Wholesale and the Retail segments have continued to work hand-in-hand to promote products distributed by the Retail segment, setting up pop-up stalls for product launches and products tasting throughout the year. The Group would explore more of such cost optimising and synergistic promotional activities for both segments in future.

MD&A (CONT'D)

RETAIL SEGMENT

Hai-O originates from the Retail business which is an important part of our business system even though it is no longer a primary revenue and PBT contributor. The Retail segment has a presence in all major states and remains a prominent household name carrying the Hai-O brand in 57 outlets across Malaysia (7 of which are operating under a franchise model). In line with our objective to provide value-added services, TCM physicians are stationed at selected retail outlets to provide general medical and TCM consultations.

The Retail segment recorded a revenue of RM40.5 million (FY2018: RM41.5 million) and PBT of RM0.9 million (FY2018: RM1.5 million) in FY2019. Retail PBT fell by a larger percentage due to higher operating costs as well as the drop in sales of premium products which command higher profit margins.

For FY2019, the Retail segment has identified several focus areas to improve product mix, expand new promotional activities, increase collaborations with strategic business partners and step up staff training to increase productivity.

2019 RETAIL FOCUS AREAS

- Improve product mix
- New promotional activities
- Collaborations with strategic partners & Chinese physician
- Staff training

Improve product mix – The focus will be to expand house brand products which command higher margins as the measure to catalyse an improvement in product mix. Currently, products distributed under the Hai-O house brand contribute more than 40% of total retail sales. Our house brand products are primarily manufactured by our in-house GMP manufacturing facilities, which will also help in cost control and margin optimisation. During the financial year, the new SKU added to the retail list included Purple Great Multi-Grain Drink, Cordy Essence Plus and meal supplements product – Five Grains Porridge, Organic Three Treasures and Organic Hulled Millet.

New promotional activities – New promotional activities are needed to sustain buying interests in a weak market environment. As such, the Retail segment conducts regular in-shop marketing campaigns such as 1st Weekend Sales, Key Product Special Sales and Year End Pre-stock Count Sales. Promotional activities are intensified during festive seasons to capitalise on increased spending by consumers, reaching out to customers via social media networks, print advertisement, radio broadcast and Chinese New Year Roadshows. In particular, we held a roadshow at Universiti Sains Malaysia to target the young consumer market and to create brand awareness.

MD&A (CONT'D)

New products added in Retail segment during the FY2019.

Collaborations with strategic partners and Chinese physicians – We have in the past collaborated successfully with strategic partners to conduct roadshows as well as advertising and promotional activities. In FY2019, we worked with financial institutions such as UOB Asset Management (M) Bhd by setting up booth on its investment conference day to create brand awareness. Meanwhile, Public Bank Berhad continued to be our strategic partner in joint promotions leveraging on its customers base. Products wise, we collaborated with Korea Ginseng Corporation (正官庄) to run promotional activities for its products distributed in our retail outlets. We also worked with TCM physicians to promote the health benefits of Chinese medicated and herbal products. Currently, there are 12 retail outlets that provide TCM consultation services to customers.

Staff training – To create a consumer-centric workforce, we organise regular training sessions to nurture a team of knowledgeable and productive outlet assistants. Training modules include tests on products knowledge and external training on marketing skills. During the year, we held a two-day session at The Kabin, Jeram Kuala Selangor for 30 managerial and executive staff to foster team work and to improve leadership and communication skills.

MD&A (CONT'D)

OTHER OPERATING ACTIVITIES

The main revenue and PBT contributors of our other operating activities are manufacturing and rental income from investment properties. Total PBT derived from other operating activities was RM4.3 million in FY2019 (FY2018: RM4.9 million). Although the Group collected higher rental income from its investment properties in FY2019, this was off-set by lower contribution from manufacturing due to lower internal manufacturing requirements from the MLM and Retail segments.

OUTLOOK AND GROWTH ENABLERS FOR THE NEXT FINANCIAL YEAR

The Group is cognizant of the challenging economic backdrop as we progress into a new financial year. On the domestic front, the impact of the change in political landscape will continue to manifest as the new Government reviews and revises policies while restructuring its own finances. Meanwhile, our export-oriented sectors will inevitably fall victim to escalating trade tensions between the US and China, and this is exacerbated by already slowing global economic activity. The International Monetary Fund ("IMF") in its latest forecast, has projected a slowdown in global GDP growth from 3.6% in 2018 to 3.2% in 2019, and this was its fourth downward revision since October 2018. Against the challenging international backdrop, the Malaysian economy is forecast to grow by 4.3% – 4.8% in 2019 (2018: 4.7%), with potential downside risks. As the Malaysian Government practises fiscal restraints, it is imperative for the private sector to fill the gap. However, the high cost of living is constraining the ability and willingness of consumers to spend, which is the challenge for Hai-O in the coming year.

Even though the group does not expect an immediate uplift in the business environment, we believe our solid financial strength and the good growth enablers that we have put in place over the years will stand us in good stead. For the year ahead, the Group will continue to chart our course:

- to build on measures to expand and adapt products pipeline to cater for market demand;
- to strengthen our operational capability, in particular upgrading the skills of our distributors and employees;
- to improve the adoption of digitalisation in our businesses and operations; and
- to optimise productivity and efficiency.

The successful execution of these measures will help the Hai-O Group to stay on track to deliver another profitable financial performance in the coming year.

APPRECIATION

I would like to express a special note of thanks to our employees and distributors for their efforts to help the Group to continue delivering values to Hai-O shareholders. I am deeply grateful to all shareholders and stakeholders for the trust you have placed in our brand and leadership of the Hai-O Group.

Thank you.

Tan Keng Kang
Group Managing Director

8 August 2019

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

Hai-O Enterprise Berhad ("Hai-O") Sustainability Statement 2019 ("Statement") offers a company-wide overview of Hai-O's ongoing efforts related to economic, environmental, social and governance matters.

In addition to the term "Hai-O", in this Statement "Group", "we", "us" and "our" are also used to refer to Hai-O and its subsidiaries.

This Statement has been prepared in line with the Global Reporting Initiative ("GRI") Standards: Core option. This Statement also refers to recommendations on sustainability reporting issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

REPORTING SCOPE

Information contained in this Statement reflects Hai-O's sustainability progress from May 1, 2018 to April 30, 2019, unless otherwise noted. This Statement documents our performance across our most material issues and is based on a materiality assessment conducted in 2018 with our internal stakeholders. We issued our 2018 Sustainability Statement in August 2018 and will continue to publish our progress on an annual basis.

This Statement discloses the sustainability performances of our corporate office in Klang, Selangor as well as the Group's main revenue streams including Multi-Level Marketing (MLM), Wholesale, Retail and Manufacturing segments. The MLM segment is operated by Sahajidah Hai-O Marketing Sdn. Bhd. ("SHOM") with presence in Malaysia, Indonesia and Brunei. The Wholesale segment is operated by Hai-O Enterprise Bhd, Hai-O Medicine Sdn. Bhd., Kinds Resource Sdn. Bhd., Grand Brands (M) Sdn. Bhd., Chop Aik Seng Sdn. Bhd., Yan Ou Holdings (M) Sdn. Bhd and Yan Ou Marketing (Intl) Sdn. Bhd. The Retail segment is operated by Hai-O Raya Bhd. with 57 outlets including franchises across East and West Malaysia. Lastly, the Manufacturing segment is operated by SG Global Biotech Sdn. Bhd. and QIS Research Laboratory Sdn. Bhd.

CONTACT US

Further information on Hai-O's policies and management processes are available on our corporate website at www.hai-o.com.my. Should you have questions on this Statement, please contact us at ir@hai-o.com.my.

OVERALL APPROACH TO SUSTAINABILITY

Since Hai-O's listing on the then Second Board of Kuala Lumpur Stock Exchange ("KLSE" or "Bursa Securities") in 1996 as the first traditional healthcare company, we have strived to create long-term credibility and value-added growth to not only our shareholders and investors, but also to our employees, customers and other stakeholders. Hai-O was subsequently transferred to the Main Board of Bursa Securities in October 2007.

Recognising the need for a sustainable future, we have formulated our Sustainability Policy based on the Group's Sustainability Strategy that fulfil our Mission, Vision and Corporate Values as well as the aspirations of the United Nation's Sustainable Development Goals (UN SDGs).

OVERALL APPROACH TO SUSTAINABILITY (CONT'D)

HAI-O SUSTAINABILITY STRATEGY

MISSION

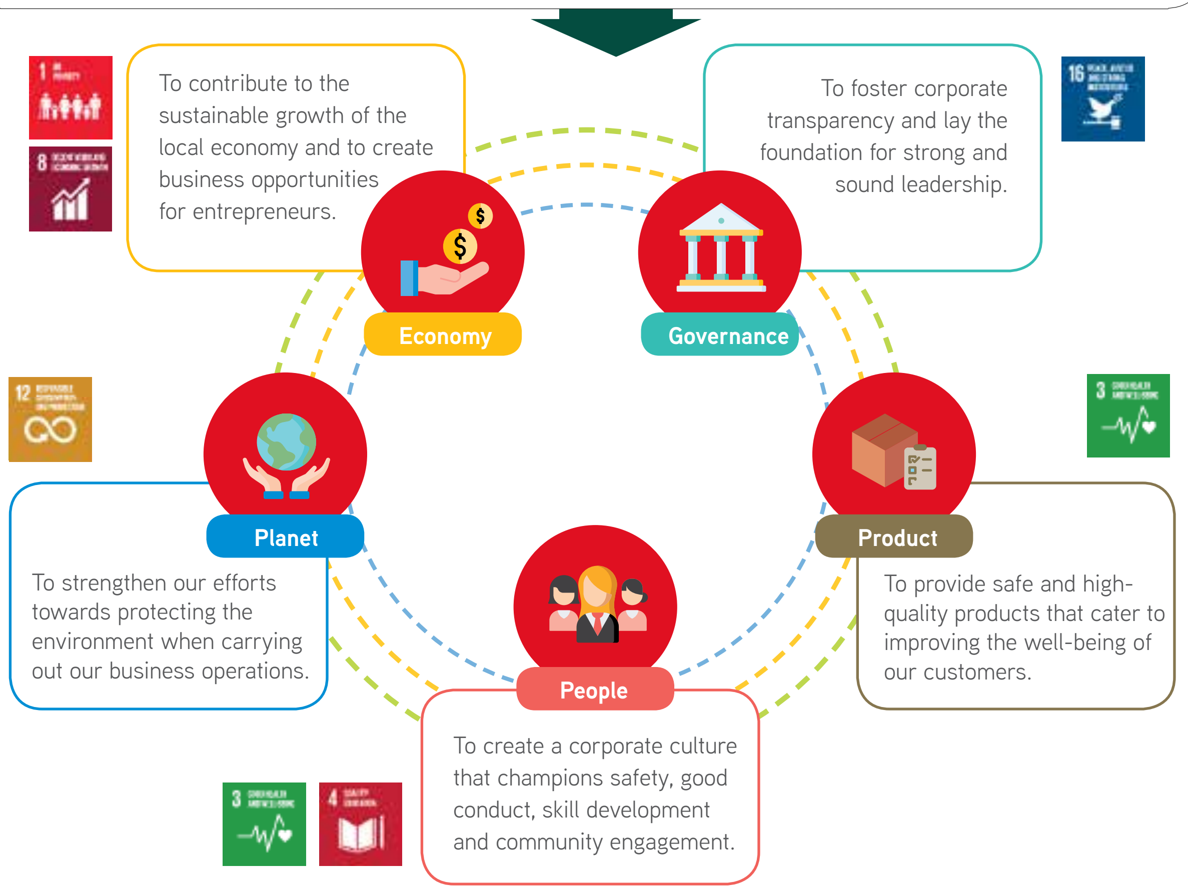
We are committed to promoting healthcare culture and improving human's well-being.

VISION

We aim to become the premier healthcare company in Malaysia and thereby bringing the greatest value and pride to our customers, business partners, employees and shareholders.

By embracing business opportunities and managing risks, cherishing our people and executing our social and environmental responsibilities to deliver sustainable stakeholder value, we strive to build a strong and resilient business.

We are committed to uphold our **Corporate Values**, **SEAGULL** i.e.
- **S**ocial Responsibility
- **E**xcellent Services
- **A**ttitude
- **G**rowing
- **U**nity
- **L**oyalty
- **L**earning



SUSTAINABILITY STATEMENT

OVERALL APPROACH TO SUSTAINABILITY (CONT'D)

KEY SUSTAINABILITY FOCUS AREAS

Hai-O's Sustainability Policy outlines our five (5) key sustainability focus areas: Economy, Governance, People, Product and Planet

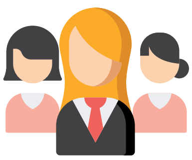
Economy

We shall create business and employment opportunities, recruit local talent, embed sustainability in our procurement practices and throughout our value chain, provide a platform for distributors on skill development and business collaboration, and instil team spirit "Hai-O My Choice for Life".

Governance

We shall prioritise compliance throughout our value chain, adhere to laws, regulations and internal conduct and policies, manage material sustainability matters, and embed integrity and transparency into our corporate culture.

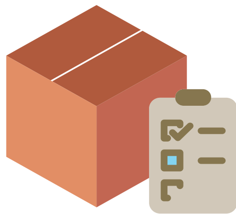
People



For our employees, we shall ensure a safe and conducive workplace, provide fair remuneration, foster talent development and performance management system, provide regular training and development programmes, encourage employee involvement in Kelab Muhibbah Hai-O and provide recognition for high-performing and loyal employees, teams and franchisees.

For the community, we shall strive to bring a positive impact, encourage quality education, support vulnerable community and continuously spread health awareness and community harmony.

Product



We shall promote products that improve the community well-being, provide high quality and safe products and services, apply and maintain standards and certifications, improve customers/distributors satisfaction, and establish sustainable and transparent line of communication between Hai-O and our customers.

Planet

We shall educate the practice of 3R (Reduce, Reuse and Recycle), reduce the use of Styrofoam in product packaging, promote green initiatives and introduce products which contain eco-friendly ingredients that are less harmful to the environment as well as human health.

SUSTAINABILITY STATEMENT

SUSTAINABLE DEVELOPMENT GOALS

The SDGs, adopted by all UN Member States in 2015, form the basis to collectively create a better future by addressing fundamental global challenges. Hai-O supports the UN agenda and believes that companies can play a significant role in helping to achieve these development goals.

Our SDG focus area remains consistent with what was reported in our FY2018 report as they are relevant to the Group's operations.

UN SDG FOCUS AREAS

We support the vision of the United Nations Sustainable Development Goals ("UN SDG") as a critical element in delivering sustainable development. Our primary focus is six goals that represent areas where we can best contribute.

SDG 1
End poverty in all its form everywhere

SDG 4
Ensure inclusive and equitable quality education and promote lifelong opportunities for all

SDG 12
Ensure sustainable consumption and production patterns

SDG 3
Ensure healthy lives and promote well-being for everyone across all ages

SDG 8
Promote inclusive and productive employment and decent work for all

SDG 16
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

SUSTAINABILITY STATEMENT

LEADERSHIP FOR SUSTAINABILITY

A robust governance structure is key to operationalising our sustainability strategy across the business, manage goal-setting and reporting processes, strengthen relations with external stakeholders and ensure overall accountability.

Our Board provides strategic direction for the Group and considers economic, environmental and social ("EES") opportunities and risks that need to be addressed. Together with the Sustainability Steering Committee ("SSC"), the Board oversees sustainability-related matters across the Group.

The SSC comprises senior management members and is chaired by the Group Managing Director. They are supported by the Sustainability Working Committee ("SWC") which comprises key personnel from business support units and general management.

The following governance structure is in place to ensure the efficient management of sustainability issues and to provide prompt updates to our Board of Directors.

BOARD OF DIRECTORS

- Endorses the Group's sustainability strategy and commitment statement
- Issues final approval of the sustainability report and its contents

SUSTAINABILITY STEERING COMMITTEE (SSC)

- Proposes the sustainability strategy to the Board
- Reviews the material sustainability matters identified and prioritised by the SWC
- Engages the departments involved in the SWC and oversees the progress of the sustainability initiatives and projects that are in place across the different departments

SUSTAINABILITY WORKING COMMITTEE (SWC)

- Undertakes sustainability initiatives aligned with the Group's strategy for sustainability
- Records and manages data that reflects the Group's year-on-year performance against economic, environmental and social parameters
- Identifies and prioritises the material sustainability matters that are relevant to the Group and the stakeholders

Economic	Environmental	Social
Business Operations	Health, Safety and Security	Human Capital
Business Support	Waste Management	Community

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT

Core to the Group's success is our ability to develop strong and meaningful relationships with our stakeholders.

To fulfil our corporate mission and vision, and to provide sustainable returns to our shareholders, we must generate positive relationships with a broad range of stakeholders. We categorise our stakeholders based on the nature of their relationships with our business and how these relationships achieved through engagements, generate values for Hai-O and our stakeholders.

FOCUS AREAS	ENGAGEMENT APPROACHES	OUTCOMES	FREQUENCY OF ENGAGEMENT
Employees			
The individuals that enable us to serve our customers.			
• Career development and advancement • Work-life balance • Employee health and safety • Employee benefits	• Performance appraisal • Regular health screening and check-up • Team building activities • Training and internship programmes	• Anniversary dinner and festive gathering	Annually
		• Hai-O Higher Educational Aid and Excellent Academic Awards	Annually
		• Loyalty and Outstanding Performance Awards	Annually
		• Incentive trips (local and overseas)	Annually
		• Kelab Muhibbah Hai-O	Regularly
		• Hai-O Human Resource Online	Regularly
Customers			
The people that use our products and services.			
• Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion	• Feedback and enquiry forms • Social media platforms • Customer Relations Management • Product standards and certifications • Corporate website	• Customer satisfaction survey	Annually
		• Hai-O Chain Store Friendship Member	Regularly
		• Credit application and evaluation	Regularly
		• Product liability insurance	Regularly
Distributors			
The individuals that bring our products to product users.			
• Enhancement of distribution platform • Market demand for Hai-O products • Product quality and pricing • Product Development & innovation • MLM entrepreneurship	• Marketing plan • Product promotions • Incentive trip campaigns • Training and workshops • Events and conferences • Feedback and surveys	• E-bulletin	Quarterly
		• E-sales kit and e-registration	Monthly
		• Annual survey form	Annually
		• Diamond Night	Annually
		• Overseas incentive trip	Annually
		• Crown Diamond Manager Conference	Annually
		• SM/SSM Recognition Night	Periodically
Vendors and Suppliers			
The business partners that enable us to source, make and distribute our products.			
• Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion	• Audits and evaluations • Meetings and trade fairs • Factory visits	• Vendor meetings to gauge satisfaction	Regularly
		• Vendor registration screening	Regularly
		• Vendor evaluation	Annually

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT (CONT'D)

FOCUS AREAS	ENGAGEMENT APPROACHES	OUTCOMES	FREQUENCY OF ENGAGEMENT
Certification and Regulatory Bodies			
The regulators who monitor our business practices.			
• Regulatory compliance • Approval and permits • Standards and certification	• Meetings and consultations • Training programmes and dialogues • Audits and verification	• Factory visits and monitoring	Regularly
		• External Consultant	Regularly
		• ISO, HACCP, SAMM, GMP, HALAL and US FDA certification	Regularly
Local Communities			
The individuals in the nearby community who are in need or are impacted by our operations.			
• Quality of health and education • Indirect economic impact • Environmental impact of operations • Community well-being	• Community engagement and outreach programmes • Donation and sponsorships • Social and cultural activities	• Hai-O Foundation	Regularly
		• Kelab Muhibbah Hai-O	Regularly
		• Ai Hua Jiao Fund Raising programme	6 fund-raising events from June 2018 – October 2018
		• "Daripadamu Untukmu" programme	Annually
		• Excellent Academic Awards	Annually
		• Filial Piety dinner	Annually
		• Health talks	Regularly
		• Blood donation campaign	Annually
Shareholders and Investors			
The investors and lenders who invest in our business.			
• Financial performance • Regulatory compliance • Corporate governance • Ethical business conduct • Investment and divestment • Internal control and risk management • Board composition	• Meetings and briefings • Financial announcements and reporting • Policies and frameworks • Corporate website	• Annual General Meeting	Annually
		• Annual report	Annually
		• Analyst reports	Regularly
		• Statutory records	Regularly
		• Investor Relations Policy, Whistleblowing Policy, Corporate Disclosure Policy, Dividend Policy	Regularly
Media			
The media and other opinion formers.			
• Reputation and image • Financial performance • Business updates and corporate news • Public relations	• Social media platform • Conference and interviews • Events and functions	• Press releases	Regularly
		• Media interview	Regularly
		• Joint collaboration CSR and cultural events	Regularly

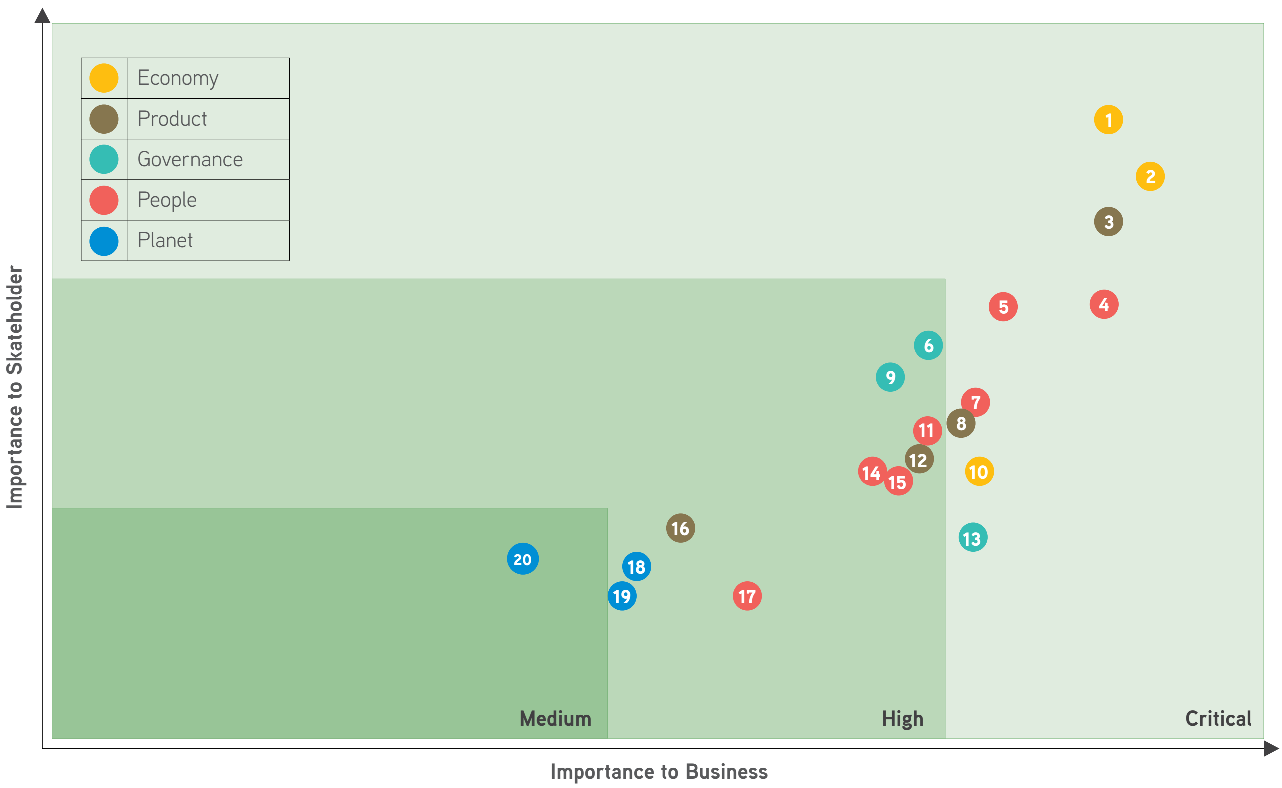
SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS

Hai-O has been reporting our material sustainability matters since 2018. This year, we reassessed the materiality of each sustainability matters to our operations and stakeholders.

Materiality is the key principle that determines which issues are sufficiently important to be addressed and reported. The process to assess the materiality of issues is therefore critical to developing an effective sustainability strategy and achieving a high degree of transparency in reporting to stakeholders.

Our approach to determining material sustainability matters involves three steps. First, we identify sustainability matters which are relevant to Hai-O by taking into consideration our business operations and our stakeholders' concerns and interests. We then rank the importance of each material matter via a materiality assessment process which employs the weighted ranking method. The result of the assessment is presented as a materiality matrix. The matrix, as shown below, presents the prioritisation of our selected sustainability matters. Lastly, the sustainability matters which are material to Hai-O and our stakeholders are confirmed by the Board.



SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

The 20 material sustainability matters categorised into Economy, Product, Governance, People and Planet that are material to Hai-O and our stakeholders are described below.

1. Economic Performance

This topic is material to Hai-O because good economic growth will enable Hai-O to have adequate capital to maintain its social licence to operate, comply with new regulations and standards as well as prepare for potential risks and fluctuations in the future.

GRI disclosures covered:
Economic Performance, Market Presence, Indirect Economic Impacts

Relevant to stakeholder groups:
Shareholders and Investors

Relevant SDGs:

2. Brand And Reputation

Hai-O takes pride in its good branding and marketing strategies. We strengthen our corporate brand image by focusing on creative ideas that will build brand awareness while meeting customers' needs.

GRI disclosures covered:
Organisational Profile (General Disclosures)

Relevant to stakeholder groups:
Shareholders and Investors, Media

Relevant SDGs:

3. Product Safety And Quality

Our commitment to "promoting healthcare culture and improving human's well-being" entails the provision of safe and quality products.

GRI disclosures covered:
Customer Health and Safety, Marketing and Labelling

Relevant to stakeholder groups:
Customers, Certification and Regulatory Bodies, Distributors

Relevant SDGs:

4. Customer Satisfaction

This topic is material because by listening to the individuals who use our products, we can better understand how they interact with our products and identify ways to improve both the products and services that we offer.

GRI disclosures covered:
Stakeholder Engagement (General Disclosures)

Relevant to stakeholder groups:
Customers, Certification and Regulatory Bodies

Relevant SDGs:

5. MLM Entrepreneurship

We continuously invest in our Multi-Level Marketing, which is one of our main economic contributors, to create job opportunities and a platform for entrepreneurship excellence.

GRI disclosures covered:
Stakeholder Engagement (General Disclosures), Training and Development

Relevant to stakeholder groups: Distributors

Relevant SDGs:

6. Corporate Governance And Risk Management

Hai-O focuses on the prevention of risks and establishment of sound governance structure to maintain a fair and orderly market and a high level of investor confidence.

GRI disclosures covered:
Ethics and Integrity (General Disclosures)

Relevant to stakeholder groups:
Certification and Regulatory Bodies, Employees

Relevant SDGs:

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

7. Talent Retention And Leadership Development

Human capital is key to our growth. We are dedicated to maintain a high standard of employment practices by attracting and retaining the right talents through their outstanding merits. This best practice enhances our company performance and the equity of the company as a responsible employer.

GRI disclosures covered:
Employment, Training and Education, Diversity and Equal Opportunity

Relevant to stakeholder groups:
Employees

Relevant SDGs:

8. Product Certification

Our healthcare products which improve the well-being of consumers are safe and of the highest quality and comply with statutory requirements and relevant standards. Our products are certified and regularly audited by external experts, regulatory authorities and external consultants.

GRI disclosures covered:
Marketing and Labelling

Relevant to stakeholder groups:
Certification and Regulatory Bodies, Customers

Relevant SDGs:

9. Ethics and Integrity

Ethics, bribery and corruption risk has been identified as one of the principal risks that could threaten our strategy, performance and reputation. Building trust can only be achieved through an ethical approach and we place significant emphasis on adopting the right behaviours.

GRI disclosures covered:
Ethics and Integrity, Anti-Corruption

Relevant to stakeholder groups:
Certification and Regulatory Bodies, Shareholders and Investors, Employees, Distributors

Relevant SDGs:

10. Supply Chain Management

We aim to build long-term, mutually beneficial relationships with third parties along our value chain. A good supply chain management supports reduction of risk and cost in supply chain and operations, as well as strengthens our commercial positioning.

GRI disclosures covered:
Supply Chain, Procurement Practices

Relevant to stakeholder groups:
Vendor and Suppliers

Relevant SDGs:

11. Employee Well-being

We nurture employees by providing fair remuneration and comprehensive benefit packages to assure job security for employees who are vital to Hai-O.

GRI disclosures covered:
Employment, Training and Education

Relevant to stakeholder groups:
Employees

Relevant SDGs:

12. Product Innovation

Fundamentally, we strive to contribute to better health outcomes by innovating safe products without exploiting people working in the supply chain or damaging the environment.

GRI disclosures covered:
Organisational Profile (General Disclosures)

Relevant to stakeholder groups:
Customers, Distributors

Relevant SDGs:

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

13. Succession Planning

It is paramount that we develop successors and identify next-in-lines to ensure a smooth transition in our operational structure. We oversee and follow up on the competency development of employees from their first day at work to help them advance to managerial level.

GRI disclosures covered: Training and Education

Relevant to stakeholder groups:
Shareholders and Investors, Employees

Relevant SDGs:

14. Training and Development

Hai-O has always made persistent efforts to equip employees with the right skills to keep them abreast of the latest knowledge and techniques. Our training programmes are aimed at enhancing the skills, capabilities and knowledge required for decision making and creative thinking.

GRI disclosures covered: Training and Education

Relevant to stakeholder groups:
Employees

Relevant SDGs:

15. Occupational Health and Safety

We operate in accordance with principles of occupational health and workplace safety to ensure a suitable and sustainable workplace environment.

GRI disclosures covered:
Occupational Health and Safety

Relevant to stakeholder groups:
Employees, Certification and Regulatory Bodies

Relevant SDGs:

16. Manufacturing Certification

This matter is material to Hai-O because we consistently stay proactive to ensure that our manufacturing processes perform as safe and as efficiently as possible.

GRI disclosures covered:
Marketing and Labelling

Relevant to stakeholder groups:
Certification and Regulatory Bodies

Relevant SDGs:

17. Community Engagement

Hai-O focuses on supporting and promoting development of communities as a way to demonstrate social responsibility and create engagement with the community and wider society to achieve sustainable advancement.

GRI disclosures covered:
Local Communities, Public Policy

Relevant to stakeholder groups:
Local Communities

Relevant SDGs:

18. Energy Consumption

Hai-O strives to use resources and energy in an efficient and environment friendly manner to help alleviate global climate change.

GRI disclosures covered:
Energy

Relevant to stakeholder groups:
Certification and Regulatory Bodies

Relevant SDGs:

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

19. Green Product and Packaging

Hai-O works towards offering green products by avoiding harmful materials, sourcing raw materials with lower environmental impact and utilising sustainable packaging materials.

GRI disclosures covered:
Organisational Profile (General Disclosures)

Relevant to stakeholder groups:
Certification and Regulatory Bodies, Customers

Relevant SDGs:

20. Waste and Recycling

We aim to reduce waste across the group while also stepping up efforts to reuse and recycle.

GRI disclosures covered:
Effluents and Waste

Relevant to stakeholder groups:
Certification and Regulatory Bodies

Relevant SDGs:

OUR ECONOMY

ECONOMIC PERFORMANCE

Over the years, Hai-O has expanded its portfolio from import trading, wholesaling and retailing of Chinese herbal products and medicated tonics to wide-ranging products and services. These products and services include beauty and healthcare products, clinical and traditional complementary medicine ("TCM") consultation services, TCM contract manufacturing as well as health food and food supplements manufacturing. From a humble beginning with a small start-up capital, Hai-O has risen through many business challenges as it expanded over the years – please refer to Hai-O's overall financial performance for FY2019 on pages 92 to 182.

At Hai-O, we constantly seek opportunities to strengthen our business and contribute to the growth of the local economy. Driven by our goal to become a sustainable healthcare provider, this section discusses our direct and indirect economic impact towards the communities.

Local Talent

We believe the talent of our people constitutes a competitive advantage which underpins the future of the Group. In support of the local economy, our senior management team consisting of the Group Executive Directors and General Managers of the parent and principal subsidiaries are 100% Malaysians. We value the experienced local hires who have a lot to offer in terms of their local market knowledge, strategic planning and managerial skills, among others.

We provide attractive remuneration packages to employees without gender bias, as evident in a 1:1 ratio of entry level wage by gender. Since January 2019, Hai-O's average wage for entry level non-executives in East Malaysia as compared to the nation's minimum is 1.10:1; whereas in West Malaysia, the ratio is 1.13:1. Entry level executives, meanwhile, are competitively remunerated based on their qualifications as we strive to attract young talents into the Group.

Community Investment

In line with Hai-O's corporate responsibility "Daripadamu Untukmu" programme, Hai-O continues to support educational causes to promote active growth in the society. Since FY2018, we have been collaborating with the Selangor State Education Department to implement the 21st Century Smart Classrooms Education Programme. We contributed approximately RM 200,000 worth of contemporary education tools and equipment which have been distributed to 10 primary schools.

SUSTAINABILITY STATEMENT

OUR ECONOMY (CONT'D)

Students of the 10 benefited schools sat for the 2018 UPSR in September 2018, only 11 months after the implementation of the programme in November 2017. SK Kampung Raja Uda and SK Tengku Bendahara Azman 1 achieved substantially better results for the 2018 UPSR with a 9.20% and 15.47% increase in passing rate respectively, whereas SK Rantau Panjang, SK Pandamaran Jaya, SK Abdul Samat and SK Tengku Bendahara Azman 1 recorded a higher rate of straight A students. In addition, 8 out of the 10 schools recorded a drop in the number of failure rates.

The programme has proven to be effective given the encouraging academic progress achieved in the 2018 UPSR results as compared to the previous year. We are proud to contribute to this programme and believe that this programme will further boost the academic performance of the future generation in the long run.

BRAND AND REPUTATION

Hai-O is committed to deliver the best product quality to our customers and uphold our reputation as a trusted business owner. Guided by the Group's vision to become the premier healthcare company in Malaysia, we are pleased to present our branding strategies and recognition and accolades received during the year under review.

HAI-O

- Corporate branding: "Hai-O", a well-established household name offering a wide range of traditional Complementary Medicines (TCM), Wellness and healthcare products in Malaysia
- Objective: To constantly uplift corporate image through various channels and activities
- Strategy: To preserve and uphold our "**SEAGULL**" Corporate Values

Our MLM marketing arm, SHOM, focuses on branding strategies targeted at "SHOM" corporate branding and several high potential products.

SAHAJIDAH HAI-O

SHOM's approach in the marketing and branding of MLM products is well researched, planned and executed with a specific objective. For example, SHOM has promoted Min Cha, a milk tea formulated with quality black tea leaves and bamboo salt, by showcasing its uniqueness and innovativeness through creative channels including Hari Raya video recipes, TV commercials, digital campaign – a Min Cha Mobile Interactive Campaign, sponsorships, and out-of-home (OOH) advertising – four billboards situated at strategic locations across Klang Valley.

SHOM's best-selling product, Min Kaffe was first introduced in 2008 and available in Malaysia, Indonesia, Singapore and Brunei. Made up of robusta coffee and 100% bamboo salt sourced from Korea, this product helps in promoting calcium absorption and energy production in the body.

For the year under review, Min Kaffe won the Brand Laureate SMEs Best Brands Awards 2018-2019 under the category of Most Established Brand Awards, Best Brands in Consumer – Premium Coffee.

OUR ECONOMY (CONT'D)

In March 2019, Hai-O received Malaysia Health & Wellness Brand Awards 2018 for Traditional Medicine – Yang Sheng Chiew by Sin Chew Daily and Life Magazine.

In July 2018, Hai-O received the leading Traditional Chinese Medicines 2018 award by Malaysia Retail Chain Association (MRCA).

Hai-O's Retail division makes the most of festive seasons by initiating marketing and product awareness strategies during the festivities. During Chinese New Year 2019, a roadshow was organised at Universiti Sains Malaysia (USM) in an effort to penetrate the younger generation market and advertisements were placed in newspapers, social media and the radio stations. A product booth display was also set up during the festive season to raise brand awareness.

SUPPLY CHAIN MANAGEMENT

Hai-O implements an effective procurement system for new products through the New Product Listing Application Procedure and New Product Screening Summary. We screen new suppliers by requesting for the quality standard that they've attained such as GMP, HACCP and ISO and this is further supplemented by factory visits. Each year, we review and evaluate our approved suppliers' performance to detect non-conformity, if any, and to ensure that any risks arising are duly mitigated. In our MLM and Manufacturing segments, we proactively practise traceability and transparency throughout our supply chain management through the ISO 9001:2015 Quality Management System guideline.

In support of local businesses, we procure 64% of our materials from local suppliers. We ensure sustainable procurement by adhering to our purchasing control procedures. All our suppliers or subcontractors are required to conform to Hai-O's procedures and be consistent in delivering quality, competitive costing, responsiveness and supply reliability. In addition, proper procedures and controls must be followed across all relevant operations.

OUR GOVERNANCE

CORPORATE GOVERNANCE AND RISK MANAGEMENT

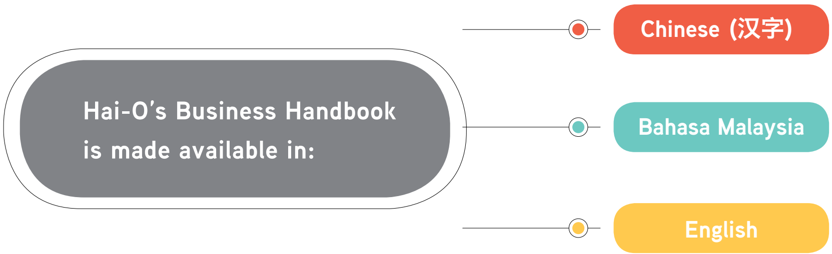
Hai-O recognises its responsibility to comply with regulations and has the appropriate risk management systems in place to safeguard the interests of our shareholders. The Group has also implemented a risk management plan to anticipate and adapt to changing and evolving trends that may disrupt its businesses. For more information, please refer to the Statement on Risk Management and Internal Control on pages 84 to 88.

In our efforts to uphold transparency and gain the trust of all stakeholders, including potential investors, we provide updated business information through various methods of periodic reporting. On our corporate website, we consolidate such information for easy reference, including Annual Reports, AGM/EGM minutes, Bursa announcements, press releases, Corporate Presentations, Results Updates and Analyst Reports.

Good governance also entails the ability to provide proper labour grievance channels for employees to raise personal concerns and make suggestions for the overall corporate well-being. We communicate the whistleblowing policy and grievance procedure to all employees through the Employee Handbook. The Group has also arranged the use of a suggestion box, located at the Ground Floor of Wisma's Hai-O office, for such purposes. For the FY2019, there were ZERO cases of labour grievances received through the provided channels.

SUSTAINABILITY STATEMENT

OUR GOVERNANCE (CONT'D)



ETHICS AND INTEGRITY

At Hai-O, we have set in place the Code of Ethics and Business Conduct, Whistleblowing Policy and guidelines to avoid conflicts of interest and to maintain a high standard of ethics and integrity within our Group. All Hai-O employees, senior management and the Board of Directors are required to strictly adhere to these policies. These policies and guidelines are stated clearly in the Employee Handbook which is communicated to every new employee on Orientation day and is also periodically updated and accessible through our HR Online internal portal. All new hires must sign an acknowledgement to confirm that they understand and will abide by these policies and guidelines.

We also require our MLM distributors to work ethically in line with our good business image and reputation. We distribute the Business Handbook to our distributors and this is available in multiple languages to cater to the needs of our multi-racial distributors. Key aspects addressed in the Business Handbook include the distributor's role in product exchange, advertising and promotion, data protection and price fixing.

Anti-Corruption

We have made it a priority to address the issues of anti-corruption and anti-bribery and have taken measures to provide the proper channels for employees and non-employees to report any malpractices.

To ensure that our stakeholders are aware of our current anti-corruption efforts, we have gone as far as communicating our corporate gift policy in an open letter. All necessary information is stated including the steps to take if any activities violate our policies, or if further clarification is needed. This will also be communicated to new staff on orientation day.

On 29 March 2019, the Group conducted a training for our managers on the subject of Corporate Liability Provision to clarify and emphasize the gravity of its implications. Due to our close adherence to the laws and regulations, there have been no reported incidents of misconduct by the Group during the reporting period.

SUCCESSION PLANNING

As a responsible business operator, preparedness in every form is needed to ensure that all operations run smoothly. To this regard, it is in our interest to formulate a succession plan. The Group has appointed a consultant to assist in the matter of establishing an appropriate succession plan. Currently, the process requires Hai-O's Human Resources department to work alongside the Remuneration Committee to identify potential next-in-line candidates that meet the criteria and expectations of the Group.

The ongoing process ensures that the Group develops and identifies a pool of qualified personnel for high-level positions that become available due to retirement, resignation, death, disability or new business opportunities. These qualified individuals are developed through training, mentoring, and job rotations.

SUSTAINABILITY STATEMENT

OUR PEOPLE

CDM Conference - One of the annual programmes to motivate and instil team spirit.

CUSTOMER SATISFACTION

Gaining customers' confidence and trust in our distributors and products is key to Hai-O's continued success and growth. We conduct open and frequent communications with our customers and take their opinions very seriously.

To ensure customer satisfaction, we conduct internal surveys such as the Yearly Distributor Survey and Product Evaluation Summary for new product development. We trust that our distributors know the expectations of customers, thus we obtain their input to cater to evolving customers' needs.

We also regularly engage with our customers through various means at our business divisions. For our MLM segment, we communicate and collate feedback, requests and concerns via:

- Corporate email at info@hai-omarketing.com.my and coe@hai-o.com.my
- Toll-free contact number: 1-800-88-2700
- Corporate website at www.hai-omarketing.com.my
- Internal bulletin
- Social media including WhatsApp, Facebook and Instagram
- Text via SMS and Telegram (one-way communication)
- Others including surveys, trainings, road tours, meetings, incentive trips, conferences and events

In FY2019, we received a total of 45 cases of minor product complaints, all of which have been addressed and resolved.

At our Retail segment, we primarily communicate with our customers through the Hai-O Friendship Member Programme. Hai-O Friendship Members are the first in line to benefit from exclusive invites and promotions, special seminars and other occasions which can be accessed at https://mall.hai-o.com.my. All customers, including non-members, can reach out to us at our retail outlets, through the corporate website or on social media. Members are also provided with a customer service hotline (printed at the back of their membership cards). Through these channels, a total of 4 customer service complaints and 5 product complaints have been filed and resolved.

SUSTAINABILITY STATEMENT

OUR PEOPLE (CONT'D)

In the Retail segment, customers can raise concerns, complaints and feedback via:

- Hai-O General Email: info@hai-o.com.my
- Hai-O Chain Store Facebook
- Hai-O Chain Store WeChat
- Hai-O Chain Store Customer Service Hotline: 03-3343 8889
- Customer Complaint/Feedback Form

During the reporting period, the Retail segment conducted a customer satisfaction survey with the following key outcomes from 40 respondents:

¤ A total of 92% of our customers rated "Satisfied" on their overall experience with our service
¤ 87% of our customers rated "Good" on the response by our retail staff to product enquiries
¤ 97% stated they would visit our stores again

In March 2019, we initiated an additional engagement at our Klang retail outlet with free TCM consultation and treatment for a month.

In the Wholesale segment, Hai-O organised incentive trips for customers. In FY2019, 71 qualified customers went on two incentive trips in July and August 2018. These serve as very useful interactive sessions for the Wholesale segment to communicate and better understand its customers' needs. The Wholesale segment also reached out to customers by offering product samples, conducting roadshows and holding contests. The product sampling activity carried out at AEON and NSK in FY2019 included products like Yang Sheng Chiew, a healthy medicated tonic and Wincarnis, a medicated wine. Meanwhile, 5 cooking demonstration roadshows organised in collaboration with a local newspaper, the Sin Chew Daily (星洲日报), attracted an average of 150 individuals per roadshow. The cooking demonstrations showcased Hai-O's 10 selected products to create brand awareness and to penetrate into the end-consumer and household market.

The Wholesale segment also conducted a lucky draw contest which ended in April 2019, receiving 13,170 submissions for 70 prizes. We required submissions to be accompanied by completed feedback surveys in our efforts to understand our customers better.

In terms of grievances, the Wholesale segment received 2 minor customer complaints which have been resolved.

MLM ENTREPRENEURSHIP

Hai-O's MLM distributors have a roaring entrepreneurial spirit and act as the key ambassadors for our business. We do our utmost to nurture, support and invest in our distributors to help them understand the Group, our products and how to run a business efficiently, ethically and successfully. In FY2019, we conducted more than 80 training programmes, including overseas seminars, for our distributors.

Training	Objective
Product Talk and Product Knowledge	To provide platform for distributors to gain knowledge of Sahajidah Hai-O products.
Sahajidah Hai-O X PT Hai-O Indonesia Training	To highlight opportunities for extensive business expansion in Indonesia.
External Carnival Training	To enhance branding and recognition in mass market.
Carnival Organised by SHOM	To attract new members and renew existing members as well as to boost sales in the East Malaysia region.
Digital Marketing	To tap the virtual market and capitalize on current trends in digital marketing.
CDM	To update leaders about SHOM's latest promotions.

OUR PEOPLE (CONT'D)

In addition to training and education, we also incentivize high-performing distributors via monthly sales bonus, overseas trips, premium invitation as guest speaker, rank progression and other privileges; as well as awards including CDM Excellence Award, CDM Master Excellence Award, Top 3 Excellence Award and Diamond Star Award.

These awards are conferred during major events such as SHOM's 26th anniversary at Setia City Convention Centre (SCCC) with the theme "Embrace the Future", SHOM Diamond Night 2018 which was also held at SCCC, as well as SM/SSM Recognition held at Imperial Hotel Kuching. At the end of each of these major events, we distributed feedback forms to obtain constructive feedback on logistics, events, hall preparation and services and to assess how the event has helped to improve motivation, inspiration and sales performance. We also request similar feedback from our distributors during overseas seminars and market research trips.

As at 30 April 2019, our MLM distributors totalled 121,000, of which 80% were women. We regularly monitor our distributors' progress in order to provide constructive support in a timely manner. In the 2018 Distributor Survey, we focussed on 5 main aspects, i.e. Product and Distribution, Activity and Event, Customer Service and Communication, Information and E-Commerce and Product Pricing. The survey garnered responses from 1,011 distributors with overwhelmingly positive feedback.

2018 Distributor Survey	1 - 2	3	4 – 5
Product and Distribution			
Product satisfaction	0.9%	0.3%	98.8%
Promotional campaigns encourage business growth	0.7%	1.9%	97.4%
Ease to purchase products	1.5%	5.3%	93.2%
Activity and Event			
Recognition and award events increase motivation for downline	0.6%	1.9%	97.5%
Improved skills after attending courses/training organised by SHOM	0.6%	2.7%	96.7%
Customer Service and Communication			
Service satisfaction from brand and stockist	2.1%	3.9%	94.0%
Service satisfaction from SHOM customer service	1.6%	6.0%	92.4%

1	Most unsatisfactory
2	Unsatisfactory
3	Average
4	Satisfactory
5	Very satisfactory

Distributor Survey	Yes	No
Information and E-Commerce		
Receive SHOM's latest information	98.3%	1.7%
Satisfied with information channel	97.4%	2.6%
Aware of SHOM's e-commerce platform	77.3%	22.7%
Purchase products through SHOM's e-commerce platform	49.3%	50.7%
Satisfied with e-commerce's service quality	93.6%	6.4%
Others – Product Pricing		
Monitor selling price of downlines	97.7%	2.3%
Inform/remind downline about product fixed pricing	98.5%	1.5%

SUSTAINABILITY STATEMENT

OUR PEOPLE (CONT'D)

COMMUNITY ENGAGEMENT

In an effort to support unity, Hai-O contributes to Tabung Harapan Malaysia to lessen the nation's economic burden and benefit the community as a whole

Hai-O's Founder, Mr. Tan Kai Hee, and Hai-O Foundation made a RM2,000,000 donation during the Kempen Derma Tabung Harapan Malaysia Fund Raising Dinner on 22nd July 2018. The event, which was held in Shah Alam, attracted more than 3,000 attendees including the Prime Minister and Selangor Chief Minister.

Pesta Harapan Malaysia 2018, a celebration for Malaysia Day, aims to promote unity through the Unity Concert and Harapan LED Run. SHOM was the Official Healthy Lifestyle Partner of the event, serving ice cold MinCha with MinKaffe cookies to the participants. Part of the net proceeds from the festival was donated to Tabung Harapan Malaysia. Hai-O also sponsored RM100,000 for the event.

Sports, Arts, Culture and Education

The Hai-O Foundation and Sin Chew Daily (星洲日报) organised the Ai Hua Jiao fund raising campaign which raised RM24 million for 6 selected schools in FY2019, the highest total funds raised in a year since its inception. This campaign aims to empower the future generations by providing high quality educational infrastructure and facilities. Over the past 9 years, through the Ai Hua Jiao Concert, the campaign has raised a total of RM97.4 million which benefited 59 Chinese-medium schools.

Kelab Muhibbah Hai-O, Nanyang Siang Pau and Life Magazines organised a badminton tournament to strengthen Hai-O's relationship with the community and to encourage involvement in healthy activities.

We collaborated with Xiamen University Malaysia to participate in the university's career and employment activities, exploring mutually beneficial opportunities to develop, support and enrich educational programs and training in the TCM field.

Sports, Arts, Culture and Education

The first annual Hai-O Arts and Culture Grants was launched under the patronage of Hai-O Foundation on 28 November 2018 to encourage and support Malaysian arts and cultures across all ethnicities.

Eight eligible applicants received a total of RM50,000 at the grant presentation ceremony held during Hai-O's 44th anniversary dinner on 29 April 2019.

Hai-O Foundation joined The Rotary Club of Bandar Utama to visit the Jehai Orang Asli Outreach Literacy Homebased School Programme at Kg. Sungai Tekam, Perak. The Foundation donated RM35,000 to improve school facilities and spent time with the locals to understand the need to improve their education and well-being.

Hai-O introduces the Excellent Academic Awards in 2016 to cherish the success of our MLM entrepreneurs and employees as dedicated and committed parents.

A total of 128 entrepreneurs and 8 Hai-O employees together with their children received the Excellent Academic Awards in 2019.

The Hai-O Higher Educational Aid was launched in 2014 to provide financial assistance to employees' children pursuing degree or postgraduate programmes at higher learning institutions. The programme aims to encourage youths to further their studies for professional progression and also serves as a token of appreciation to loyal employees and their children.

During the financial year 2019, the aid has provided assistance amounting to RM95,000 to 19 eligible employees' children.

The Hai-O Foundation has successfully implemented a holistic social impact programme coined as "Clothes of Confidence" (CoC), providing brand-new sets of school uniforms as well as developmental workshops to 350 underprivileged students from 7 schools in the country.

The developmental workshops being offered include topics on financial empowerment (Money & Me), goal-setting (I Believe In Me), communications (My Voice & I), leadership (The Leader In Me) and mental health awareness (My Mind Matters). This programme is designed to help and encourage beneficiaries to become versatile and balanced students, in line with the aspirations of the National Education Philosophy.

The Hai-O Foundation donated a total of RM29,967 in FY2019 with the support of 6 employees who help to facilitate the smooth running of the programme. School uniforms were distributed and workshops were conducted from October 2018 until November 2018 before the year-end school holidays. The appreciation ceremony took place in January 2019.

SUSTAINABILITY STATEMENT

OUR PEOPLE (CONT'D)

Improving health and well-being

Hai-O's Founder, Mr. Tan Kai Hee, was nominated as The Rotary Club Project Ambassador to raise awareness on polio prevention and the importance of vaccination.

The Global Polio Eradication Initiative, which was launched in 1988, is also supported by other public figures including Bill Gates, Jackie Chan and Dato' Zainal Abidin.

SHOM participated in a humanitarian drive in support of the Rise Against Hunger charitable event held by the Direct Selling Association of Malaysia (DSAM). Besides sending 13 staff to help pack nutritious meals for the Rise Against Hunger campaign held in September 2018, SHOM also donated RM2,500.

A total of 80,000 packed meals were prepared by more than 160 DSAM volunteers to be distributed to victims of poverty-stricken areas, disaster-affected areas, etc.

The Majlis Hari Raya 2018 which was held at the Setia City Convention Centre was graced by the presence of orphans from Pertubuhan Kebajikan Anak-Anak Yatim dan Miskin Sungai Pinang Klang.

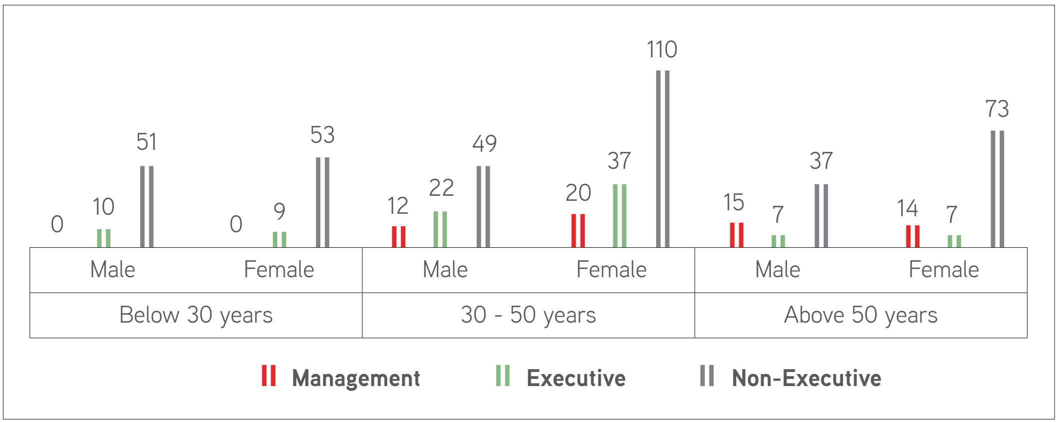
A total of 350 guests were invited to the annual celebration with the slogan "Kongsikan Kebahagiaan, Raikan yang Tersayang". As part of the Hari Raya celebration and to ease the burden of the orphanage house, SHOM donated RM5,000 during the event.

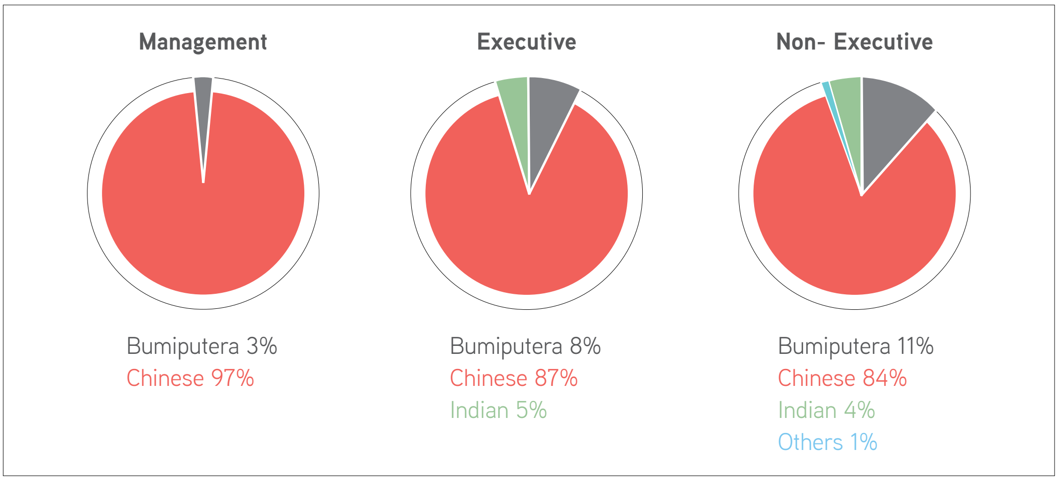
Kelab Muhibbah Hai-O co-organised a blood donation campaign with the Angkatan Pertahanan Awam Unit Sungai Pinang at Klang Parade on 18 and 19 August 2018. The campaign aimed to raise health care awareness with activities such as free health and dental check-ups and CPR demonstration.

The Hai-O Kelab Muhibbah team of 20 also sponsored 500 door gifts worth a total of RM5,000. The event successfully collected 293 bags of blood from 500 participants.

EQUAL EMPLOYMENT OPPORTUNITIES AND LEADERSHIP DEVELOPMENT

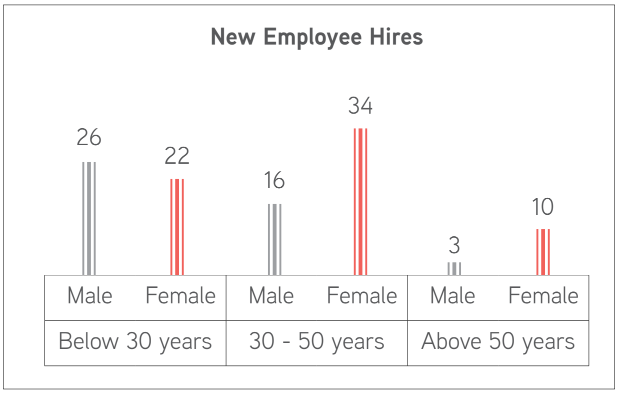
Hai-O is committed to fostering a culture of diversity in its workforce. Our Human Resources culture centres on 3 core values: Sense of Belonging, Teamwork and Equal Opportunity.

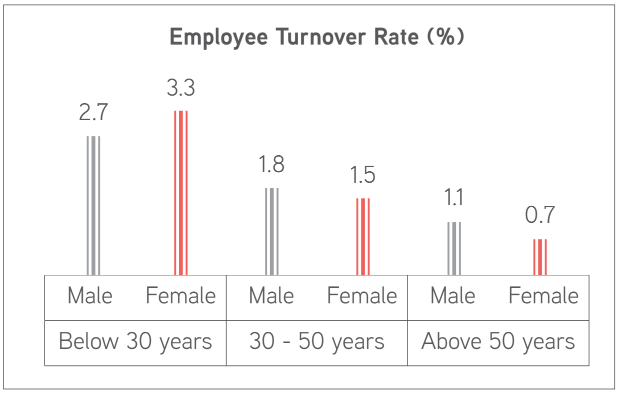




The demography of Hai-O's workforce in FY2019 is illustrated above, comprising 526 individuals of different race, gender and age group. We provide opportunities to qualified individuals based on their merits, competency, experience and other relevant qualities. We strictly do not discriminate and provide opportunities to the less fortunate, counting among our employees 6 inividuals with disabilities.

In FY2019, we hired a total of 111 new employees and recorded an annual average turnover rate of 1.7%.





OUR PEOPLE (CONT'D)

Hai-O employees receive regular performance and career development reviews. We use this process to identify high-performing and loyal employees who have excelled in their respective positions and reward them with cash prizes and overseas trips.

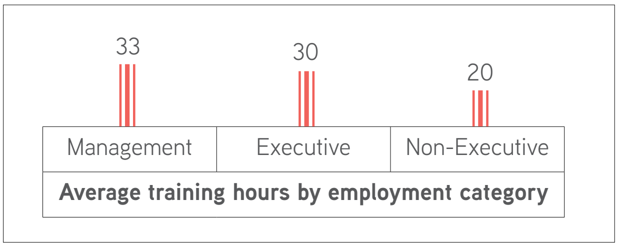
Awards	Frequency	Number of Recipients (FY2019)
Best Employee Award	Biennially	2
Best Company Award	Annually	1
Best Sales Personnel Award	Annually	1
Best Performance Award (retail outlet)	Annually	5
Best Franchisee Award	Biennially	1
Long Service Award	Upon qualification	27

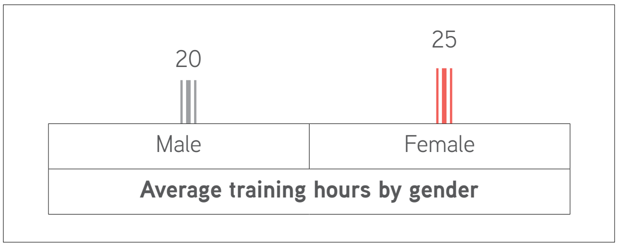
EMPLOYEE WELL-BEING

Hai-O has added a new benefit for all confirmed employees, providing a medical card covered by the Group's Hospitalisation and Surgery Insurance. Our employees are also entitled to annual health screening reimbursement in addition to other benefits including social security, special allowances, medical insurance, monetary bonus and incentives, staff rate for Hai-O products, free Hai-O Friendship membership, incentive trips and teambuilding events. Employees reaching their retirement age are given opportunities to continue working on a full-time or part-time basis.

TRAINING AND DEVELOPMENT

As a Group, Hai-O remains committed to the principle of equality in providing opportunities for learning and growth. In FY2019, employees at our headquarters completed a series of training programmes totalling 6,423 training hour; and employees at our retail outlets, 5,858 training hours. Our managers are required to attend at least 16 hours of training and executives, 8 hours annually. On average, our employees completed 23 hours of training per year which included career development courses, seminars, workshops, and more.





Each training session targets specific skills and knowledge for the professional development of our employees.

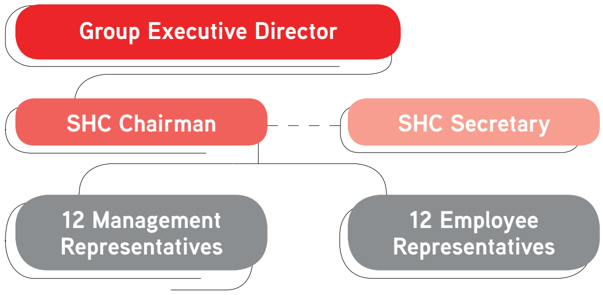
	Target skills	Related lesson/training
1.	**Business management**	Important leverage points identification, future playbook, high performance transformation, workplace challenges, proven frameworks and methodologies, customer service
2.	**Product knowledge**	Makeup demonstration and techniques, microbiology test methods, traditional medicine and health supplement product quality review, product verification, promoter briefing, product information, good manufacturing practice
3.	**Accounting, Finance and data analysis**	Financial and risk analysis, financial reports interpretation, digital forensics, financial statement fraud, RPGT, stamp duty law, financial reporting standards (MFRS) update, 2019 Malaysia Budget, sustainable investment landscape and research, ESG data analysis, real estate investment, innovation investment
4.	**Audit and Risk management**	Adding value and managing risks in business, related party transaction, value-added management, independent assurance, risk management, fraud prevention analysis

OUR PEOPLE (CONT'D)

	Target skills	Related lesson/training
5.	**Corporate Governance**	Key stakeholders' interest and directors' responsibilities to each stakeholder group, common issues faced by independent directors in discharging their duties, develop strategies and action plans and build camaraderie in the boardroom, talent development, issues and best practices for the remuneration committee
6.	**IT management, Cyber security and Digital Marketing**	Data storage, cloud management solutions, SAP system, cybersecurity protection, secure application, cyber security risk management, cyber threats, social media, e-platform, mobile e-commerce, e-wallet, cashless business
7.	**Compliance and regulatory**	HACCP internal audit, Unclaimed Money Act, Direct Sales Act, Sales and Services Tax (SST), Halal requirements, Malaysian Anti-Corruption Commission (Amendment) Act 2018, ISO 17025:2017, bird's nest export permit, OSH Act 1994
8.	**Human Resource management**	Experts and global business icons engagement, full industry perspective assessment tools, talent sourcing, succession planning, SOCSO benefits, KWSP, LHDNM, PERKESO, JTK, HRDF grant, current generation, employee benefits, cultural shifts, latest industrial revolution
9.	**Safety, Health and Wellness**	Safety and health committee, HSE policy, OSHA requirements, safety meeting, prevention awareness, medical report, wellness programme, fire safety, safety and health management system
10.	**Self-development**	Positive and proactive outlook, time management, work prioritisation, productivity enhancement, public speaking, inspiration and motivation, customer service, business writing and planning, communication, interpersonal development, video & photo editing, leadership, general insurance & protection

OCCUPATIONAL HEALTH AND SAFETY

In FY2019, we established Hai-O's Safety and Health Committee (SHC) comprising management level employees and selected employees from relevant business units. The SHC is tasked to draw up SHC policy and guidelines for the benefit of workplace health and safety. To ensure that the Board of Directors are kept abreast of Hai-O's overall health and safety issues, the SHC Chairman reports directly to the Group Executive Director.



A number of programmes was conducted to discuss and promote safety and health issues and apply safety measures in our daily work. These programmes include:

Headquarters

- Fire Prevention and Emergency Talk
- Safety Made Simple: Meeting the Safety Needs of Your Employees
- Fire Drill: Lecture, Fire Exercise and Demonstration of Fire Extinguishers
- Fire Prevention Talk
- Roles of Safety and Health Committee and Drafting HSE Policy

Retail outlet

- Outlet Supervisor: Fire Prevention, CPR and First Aid for Food Obstruction/Choking Training
- 2nd & 3rd line Retail Staff: Retail Management Course Four – Shop Safety, Security & Prevention Management
- New Retail Staff: Orientation & Induction Programme – Fundamentals of Retail Management, Shop Safety, Security & Prevention Management

Despite our efforts to reduce accidents and mishaps at the workplace, we recorded one incident at our headquarters which resulted in 9 days or 72.5 hours of lost work time, and one incident at our retail outlet which led to 1,216 hours of lost work time.

SUSTAINABILITY STATEMENT

OUR PRODUCT

PRODUCT INNOVATION

Hai-O is committed to offering our customers high quality health products that do not contain harmful toxic chemicals. We use ingredients with natural healing properties backed by extensive history as traditional medicine.

We are pleased to introduce another innovative product in FY2019: the Honbo Royal Bee Plus which consists of royal jelly, propolis, bee pollen, ginseng, and gano. This product is the first in the market to combine all 5 ingredients in a single formulation.

Bee pollen, propolis and royal jelly:

- Bee pollen is a remarkably nutritious food which contains vitamins, minerals, carbohydrates, lipids and protein.
- Royal jelly is referred to as such due to it being the main source of sustenance to the queen bee to support her longevity.
- Propolis is known as “bee glue” as it seals the external surface of the hive. It is well known for its antioxidant, antiseptic, anti-inflammatory and antibacterial properties.

Ginseng and Gano:

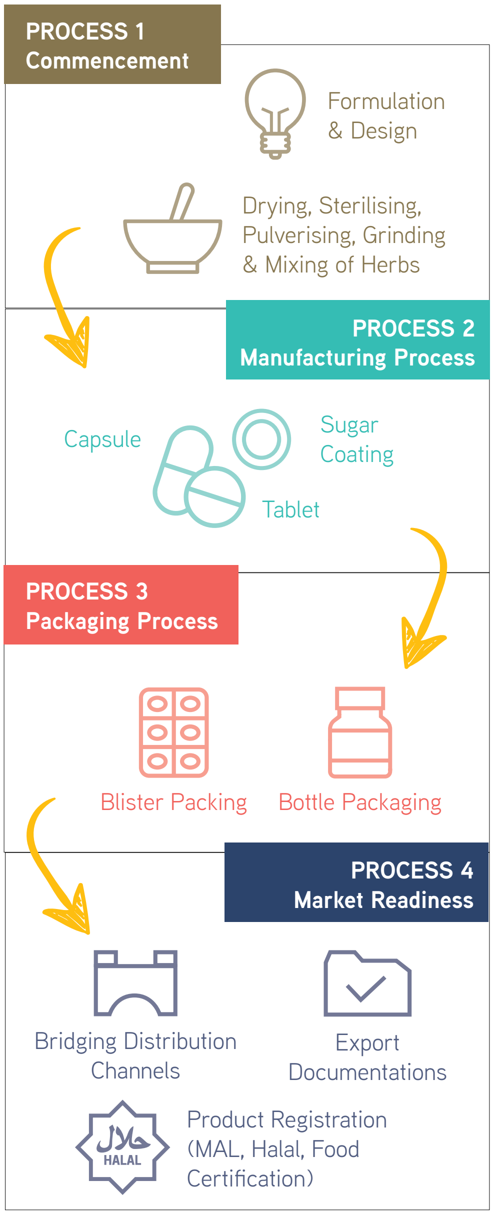
- Ginseng and the Reishi mushroom, also known as Gano, have been used in TCM for over a thousand years. They help to strengthen the immune system and other biological functions and are often used as supplements or infused in tea. Both are immensely popular in Asia.

We recognise the need to earn consumers’ trust and loyalty and will continue to introduce innovative products from natural traditional ingredients.

PRODUCT SAFETY AND QUALITY

We pride ourselves in using only quality ingredients and also adhering to strict regulatory requirements at our certified laboratories and manufacturing plants as our customers’ health and safety is of utmost importance. Every step of the manufacturing process from commencement to manufacturing, packaging and market readiness is designed with product quality and safety as the key focus. We also undertake vigorous testing to detect the presence of contaminants and to evaluate the efficacy of each product for its intended use.

Production Flow In Manufacturing Segment



OUR PRODUCT (CONT'D)

We comply with regulations set by the National Pharmaceutical Control Bureau ("NCPB"), the Drug Control Authority of Malaysia, which uses a strict registration and licensing scheme to maintain the quality, safety and efficacy of products distributed in local markets. All Traditional Complementary Medicines (TCM) with MAL[1] registration number including health supplements and traditional preparations have been registered with the NCPB.

Products under our MLM segment are assessed by professional testing bodies recognised by government agencies to their safety and health impacts. The safety of the products are governed by regulatory bodies including the National Pharmaceutical Regulatory Agency ("NPRA") and the Food Safety and Quality Division ("FSQD") under the Ministry of Health.

All products are assessed for their respective shelf-life/validity period to make sure that products sold are safe to use/consume. The shelf life for each product category is as illustrated.

Some examples of product tests are presented below:

Product	Tested For
Honbo Royal Bee Plus	Moisture, Lead, Arsenic, Mercury, Cadmium, Salmonella, Escherichia coli, Staphylococcus aureus
Hai-O Cordy Essence Plus	Moisture, Lead, Arsenic, Mercury, Cadmium, Salmonella, Escherichia coli, Staphylococcus aureus
Turkey Liver Sausage – High Grade Sausage (seasonal product)	African Swine Fever Virus and Clostridium botulinum

Product Recall Policy

We have put in place product recall policies to address the handling of defective products. Such products are immediately recalled by the relevant segments upon notification and verification.

We have taken additional steps on counterfeit products to not only safeguard our business, but more importantly to protect our consumers. At our MLM segment, we provide regular training to our distributors to upgrade their product knowledge. We ensure that the trademark registration of our products is properly managed to protect our customers and business interests, and to help reduce the risk of counterfeit products. We will begin the implementation of QR codes for MLM products enabling customers to scan labels and packaging to check product's authenticity.

PRODUCT AND MANUFACTURING CERTIFICATION

We have received the HALAL approved certification for more than 100 products and KKLIU[2] certification which allows us to advertise our products through the appropriate channels.

Our manufacturing plants at Lot 1388 and Wisma Hai-O are certified under the Good Manufacturing Practice (GMP), the ISO certification for quality management, HACCP as well as SAMM (for our laboratories).

Certification	Audit Frequency
GMP Lot 1388	Annually
GMP Wisma Hai-O	Annually
ISO 9001:2015	Annually
SAMM Accreditation (MS ISO/IEC 17025)	Annually
HACCP	Biennially

[1] *On the packaging of all registered products are labels with the two distinct features: the registration number (starting with ("MAL"), as well as the hologram security label.*

[2] *Pharmaceutical Services Division, Ministry of Health Malaysia*

SUSTAINABILITY STATEMENT

OUR PLANET

GREEN PRODUCT AND PACKAGING

As a Group, Hai-O has adopted the ethos of sustainability because we are cognisant that environmental stewardship is critical to the sustainability of businesses.

As a responsible multi-business Group, we are committed to minimising the environmental footprint associated with our services and products.

Several of our MLM products, including products in the Kidivo and Infinence range, are 100% natural and made with non-GMO sources of raw materials. The raw materials used are of plant origin, which made these products 100% biodegradable and safe to the environment.

OUR INGREDIENTS

Products	Description
Kidivo™ Natural Head-to-Toe Wash	100% Natural, non-GMO, all raw materials from plant origin and 100% biodegradable
Kidivo™ Natural Moisturizing Lotion	
Infinence Radiance-boost Exfoliating Face Scrub	Use of Jojoba beads (biodegradable) instead of microplastics (non-biodegradable) that are harmful to aquatic life and the ocean

Under our Retail business, we encourage the use of vegetarian capsules to substitute for bovine capsules. Despite the higher cost, vegetarian capsules offer extra benefits in terms of stability and solubility and are perfect for people who cannot consume gelatine for religious, cultural or dietary reasons. The MLM segment also offers vegetarian capsules for its health supplement capsules.

OUR PLANET (CONT'D)

WASTE AND RECYCLING

We aim to efficiently use resources, reduce waste, reuse and recycle where possible to minimise our environmental footprint. The table below compares our total waste generation in FY2018 and FY2019.

Types of waste	Unit	FY2018	FY2019
Plastic	pieces	693	650
Paper	kg	3,334	9,350
Metal	kg	2,299	6,130
Battery	units	11	7
Toner casing/parts	pieces	0	232

As listed above, we managed to reduce the waste production of plastics and battery in FY2019. On the other hand, higher waste generated for the other categories were mainly due to the disposal of old archive files and documents and the renovation of warehouse in Wawasan Hai-O.

At Hai-O, glass disposal is specially arranged at designated sites with allocated containers. In FY2019, two trips were made to safely dispose an accumulated 760 kg of broken glasses at an engineered landfill approved by the Department of Environment. This was an increase from the 230 kg recorded last year.

Meanwhile, we are encouraged by the positive outcome following the implementation of e-registration platform for new MLM members in FY2018. In FY2019, 95% of our new members have signed up through e-registration as compared to 45% last year. Through this, we are able to reduce the use of papers for manual registration. In addition, members who signed up online will receive our E-sales kit and E-bulletin as opposed to paper copies, hence helping to reduce waste and printing cost.

ENERGY CONSUMPTION

A major source of Hai-O's carbon footprint comes from energy use in our offices. In FY2019, Hai-O continues to improve its energy efficiency and consumption through the installation of LED lights.

As at 30 April 2019, Hai-O has replaced up to 40% of incandescent and fluorescent light bulbs with LED lights, an increase of 10% compared to last year. The LED light conversion was mainly for our buildings at Wisma Hai-O, Wawasan Hai-O and Menara Hai-O (formerly Sun Kompleks) located at Jalan Kapar, Klang and Kuala Lumpur respectively. LED lights are longer lasting and much more energy and cost-efficient. The conversion has helped to reduce Hai-O's total energy consumption from 1.98m kWh in FY2018 to 1.93 million kWh in FY2019, translating to energy savings of more than 50,000 kWh and cost savings of more than RM30,000.

In FY2019, two new MLM branches at Tawau and Sandakan have been installed with 100% LED lights. In retail, the number of outlets using 100% LED lights has increased to 8 out of 50 outlets from 7 in FY2018, leading to about 19% annual cost savings.

CONCLUSION

We have strengthened our management approach towards sustainability-driven endeavours through the formalisation of Hai-O's Sustainability Strategy and Sustainability Policy in FY2019. We will continue to monitor our yearly performance and further improve our sustainability initiatives. We will strive to maintain our economic, environmental and social progress in the coming years to build a strong, sustainable and resilient business.

SUSTAINABILITY STATEMENT

GRI CONTENT INDEX

GRI STANDARD	SECTION	PAGE
Organisational Profile		
102-1 Name of the organisation	About This Statement	30
102-2 Activities, brands, products, and services	Reporting Scope, Economic Performance, Brand and Reputation, Product Innovation, Product Safety and Quality, Green Product and Packaging	30, 41 - 43, 54 - 56
102-3 Location of headquarters	Reporting Scope	30
102-4 Location of operations	Reporting Scope	30
102-6 Markets served	Reporting Scope	30
102-7 Scale of the organisation	Talent Retention and Leadership Development	41, 51 - 53
102-9 Supply chain	Supply Chain Management	43
Strategy		
102-15 Key impacts, risks, and opportunities	Overall Approach to Sustainability, Material Sustainability Matters	30 - 31, 37 - 41
Ethics And Integrity		
102-16 Values, principles, standards, and norms of behaviour	Overall Approach to Sustainability	30 - 31
102-17 Mechanisms for advice and concerns about ethics	Corporate Governance and Risk Management, Ethics and Integrity	43 - 44
Governance		
102-18 Governance structure	Leadership for Sustainability	34
102-19 Delegating authority	Leadership for Sustainability	34
102-20 Executive-level responsibility for economic, environmental, and social topics	Leadership for Sustainability	34
102-26 Role of highest governance body in setting purpose, values and strategy	Leadership for Sustainability	34
102-32 Highest governance body's role in sustainability reporting	Leadership for Sustainability	34
Stakeholder Engagement		
102-40 List of stakeholder groups	Stakeholder Engagement	35 - 36
102-42 Identifying and selecting stakeholders	Stakeholder Engagement	35 - 36
102-43 Approach to Stakeholder Engagement	Stakeholder Engagement	35 - 36
102-44 Key topics and concerns raised	Stakeholder Engagement, Customer Satisfaction, MLM Entrepreneurship	35 - 36, 45 - 47
102-46 Defining report content and topic Boundaries	Reporting Scope, Material Sustainability Matters	30, 37 - 41
102-47 List of material topics	Material Sustainability Matters	37 - 41
102-50 Reporting period	Reporting Scope	30
102-51 Date of most recent report	Reporting Scope	30
102-52 Reporting cycle	Reporting Scope	30

GRI CONTENT INDEX (CONT'D)

GRI STANDARD	SECTION	PAGE
102-53 Contact point for questions regarding the report	Contact Us	30
102-55 GRI Content Index	GRI Content Index	58 - 60
Management Approach		
103-1 Explanation of the material topic and its Boundary	Material Sustainability Matters	37 - 41
103-2 The management approach and its components	Overall Approach to Sustainability, all sections under Economy, Governance, People, Product, and Planet	30 - 57
Economic Performance		
201-1 Direct economic value generated and distributed	Economic Performance	41
Market Presence		
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Economic Performance	41
202-2 Proportion of senior management hired from the local community	Economic Performance	41
Indirect Economic Impacts		
203-1 Infrastructure investments and services supported	Economic Performance	41 - 42
Procurement practice		
204-1 Proportion of spending on local suppliers	Supply Chain Management	43
Anti-Corruption		
205-2 Communication and training about anti-corruption policies and procedures	Ethics and Integrity	44
205-3 Confirmed incidents of corruption and actions taken	Ethics and Integrity	44
Energy		
302-1 Energy consumption within the organisation	Energy Consumption	57
302-4 Reduction of energy consumption	Energy Consumption	57
Effluents And Waste		
306-2 Waste by type and disposal method	Waste and Recycling	57
Employment		
401-1 New employee hires and employee turnover	Equal Employment Opportunities and Leadership Development	51
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Equal Employment Opportunities and Leadership Development	51
Occupational Health And Safety (2016)		
403-1 Workers representation in formal joint management – worker health and safety committees	Occupational Health and Safety	53
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety	53

SUSTAINABILITY STATEMENT

GRI CONTENT INDEX (CONT'D)

GRI STANDARD	SECTION	PAGE
Training And Education		
404-1 Average hours of training per year per employee	Training and Development	52 - 53
404-2 Programmes for upgrading employee skills and transition assistance programmes	Succession Planning, Training and Development	44, 52 - 53
Diversity And Equal Opportunity		
405-1 Diversity of governance bodies and employees	Talent Retention, MLM Entrepreneurship and Leadership Development	41, 51- 53
405-2 Ratio of basic salary and remuneration of women to men	Economic Performance	41
Local Communities		
413-1 Operations with local community engagement, impact assessments, and development programmes	Community Engagement	48 - 50
Public Policy		
415-1 Political contributions	Community Engagement	48
Customer Health And Safety		
416-1 Assessment of the health and safety impacts of product and service categories	Product Safety and Quality	54 - 55
Marketing And Labelling		
417-1 Requirements for product and service information and labelling	Product Safety and Quality, Product Certification, Manufacturing Certification	54 - 55

AUDIT COMMITTEE REPORT

The Audit Committee ("The Committee" / "AC") assists our Board in fulfilling its oversight responsibilities. The AC is committed to its role in ensuring the integrity of the Group's financial reporting process and monitoring the management of risk and system of internal control, external and internal audit processes, and such other matters that may be specifically delegated to the AC by our Board.

COMPOSITION

The AC is appointed by the Board of Directors ("the Board") from amongst its members, and presently comprises three (3) Directors, all of whom are Independent Non-Executive Directors who satisfy the test of independence under the Main Market Listing Requirements ("MMLR") of Bursa Securities. A majority of the AC members possess the requisite qualifications as stipulated under paragraph 15.09(1)(c) of the MMLR of Bursa Securities.

The Chairperson of AC is elected from among the members and is an independent director. In respect to this, the Company complies with Paragraph 15.10 of the MMLR.

Should there be a vacancy in the AC resulting in the non-compliance of Paragraphs 15.09(1) and 15.10 of the MMLR, the Company must fill up the vacancy within three (3) months thereof.

The AC comprises the following Directors: -

Name	Designation	Directorship	No. of Meetings Attended in FY2019
Tan Beng Ling (re-designated as Chairperson on 1 August 2019)	Chairperson	Independent, Non-Executive Director	5/5
Chow Kee Kan @ Chow Tuck Kwan (Chairperson from 17 December 2018 to 31 July 2019. Re-designated as Member on 1 August 2019)	Member	Senior Independent, Non-Executive Director	5/5
Tan Kim Siong	Member	Independent, Non-Executive Director	5/5
Y.Bhg. Datin Seri Sunita Mei-Lin Rajakumar# (Ceased to be the Chairperson and member on 17 December 2018)	Chairperson	Non-Independent, Non-Executive Director	4/4

\# Y.Bhg. Datin Seri Sunita Mei-Lin Rajakumar did not seek for retention as an Independent Director at the Company's 43rd AGM held on 25 September 2018 and thus, she was re-designated to Non-Independent Non-Executive Director after the conclusion of the 43rd AGM. Y.Bhg. Datin Seri Sunita resigned as the Non-Independent Non-Executive Director of the Company on 25 March 2019.

TERMS OF REFERENCE

The terms of reference which include composition, authority, responsibilities, meetings and specific duties of the AC are disclosed and published on the Company's website at www.hai-o.com.my under Investor Relations – Corporate Governance section.

AUDIT COMMITTEE REPORT (CONT'D)

ATTENDANCE OF MEETINGS

A total of five (5) Committee meetings were held during the financial year ended 30 April 2019. The attendance of each Committee members is summarized as per the table above.

The quorum for a meeting shall be made up of a majority of the members present who shall be Independent Directors. The Company Secretary is the secretary of the AC.

The Group Managing Director, Group Executive Director who is also the Group Chief Financial Officer, representatives from Accounts, Finance and Operation Management, Head of Group Internal Audit, the representative of the co-sourced Internal Auditors and External Auditors have been invited to attend the meetings during the financial year. Minutes of each AC Meeting were circulated to the members and tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

During the financial year 2019, the AC Chairperson presented to the Board the AC's recommendations to approve the annual financial statements and quarterly financial reports. The Chairperson also briefed the Board on the summary of matters raised by the External Auditors and Internal Auditors on the significant matters highlighted during the course of audit, financial reporting issues, significant judgements and estimates made by Management and how these matters were addressed.

For each of the significant matters highlighted by the External Auditors, the Committee had considered the rationale and judgements provided by Management and discussed the same with the External Auditors to ensure that the correct accounting policies had been used and were in line with the requirement of the prevailing accounting standards.

The Head of Internal Audit and co-sourced Internal Auditors attended the AC meetings to present the internal audit review reports on the risk assessment and system of internal control together with their recommendations thereon. The Head of the respective Business Units and their team were invited to attend the AC meetings to facilitate deliberations as well as to provide clarification and explanation on audit issues to the AC particularly on specific control lapses and issues arising from the relevant audit reports.

REPORTING OF BREACHES TO THE BURSA MALAYSIA SECURITIES BERHAD

If any matter reported by the AC to the Board of the Company has not been satisfactorily resolved resulting in a breach of the MMLR, the AC shall promptly report such matter to Bursa Securities.

SUMMARY OF WORK DURING THE FINANCIAL YEAR 2019

The AC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 April 2019 and up to the date of this Report, the work carried out by the AC in discharging its duties and responsibilities included: -

1. Reviewed and discussed with Management on changes in accounting policies, going concern assumptions and significant matters highlighted including financial reporting issues, significant judgements made by Management and steps taken to address the matters during the review of:

    i) the unaudited quarterly financial results before recommending to the Board for approval; and

    ii) the audited financial statements for the financial year ended 30 April 2019 before recommending to the Board for approval.

2. Reviewed and discussed with the External Auditors, KPMG PLT, on the scope of their audit work, the results of their examination, the auditors' report, management letters in relation to the audit and accounting issues arising from the audit and compliance with new accounting standards and regulatory requirements, as well as the assistance given by employees of the Company to the External Auditors;

3. Reviewed and approved the annual audit plan of the Company and the Group proposed by the External Auditors, KPMG PLT for the financial year ended 30 April 2019. The audit plan covered among others, its engagement team, audit materiality, key audit matters, other significant audit matters and audit methodology;

4. Reviewed and assessed the audit fees and the nature of non-audit services and the related fee level compared to the external audit fees of the Company and Group;

5. Reviewed and assessed the performance and independence of the External Auditors, KPMG PLT, taking into account the quality and timeliness of the report furnished, the level of understanding demonstrated on the Group's business and communication on new and applicable accounting practices and auditing standards and its impact on the Company's financial statement. The AC was satisfied with the outcome of the performance assessment and independence of the External Auditors for FY2019 and recommended to the Board for the re-appointment of KPMG PLT as External Auditors for the financial year ending 30 April 2020 and the fees proposed;

SUMMARY OF WORK DURING THE FINANCIAL YEAR 2019 (cont'd)

6. Held three (3) private sessions with the External Auditors and one (1) private session with the Group Internal Auditor and co-sourced Internal Auditors without Management's presence to discuss matters of interest which include among others, (i) the issues encountered, co-operation and the assistance given by employees of the Company to the External Auditors, in-house and co-sourced Internal Auditors during the course of audit; (ii) sharing of information and the proficiency and adequacy of resources in financial reporting function and (iii) sharing of information and feedback amongst the external auditors and internal auditors;

7. Reviewed and assessed the staff force requirement of the In-house Group Internal Audit Department ("IAD");

8. Reviewed the service contract of the co-sourced Internal Auditors and recommended for non-renewal of the contract upon its expiry in December 2018;

9. Reviewed, appraised and assessed the performance of the Head of Internal Audit;

10. Deliberated and approved the Internal Audit Plan for the financial year to ensure adequate scope and comprehensive coverage of audit and that audit resources are sufficient to enable the Internal Auditor to discharge its functions effectively;

11. Reviewed the progress of the audit plan on a quarterly basis to ensure the adequacy and effectiveness of the internal audit activities, the availability of adequate resources and the scope of audit;

12. Reviewed the quarterly internal audit finding status reports and deliberated on the management and corrective actions and the timeline taken by Management to ensure that the control deficiencies are addressed and resolved promptly;

13. Deliberated and reviewed the risk management and internal control systems, processes, procedures or activities undertaken by the External Auditors, the Internal Auditors and Management and the outcome therefrom to ensure that all high and critical risk areas are being addressed;

14. Reviewed the related party transactions ("RPT"), recurrent related party transactions ("RRPT") and conflicts of interest situations that may arise within the Company or the Group including any transactions, procedures or code of conduct that may raise concerns or questions on Management's integrity. The Group has put in place a set of policies and procedures to be adhered to in the event of RPT and conflicts of interest situations. The AC has reviewed the RPT and potential conflicts of interest matters once during the financial year ended 30 April 2019;

15. Reviewed and verified that the total options allocated and granted under the Company's Employees' Share Option Scheme ("ESOS") to-date were in accordance with the allocation criteria approved by the ESOS Committee and in compliance with the By-Laws of the ESOS. Areas reviewed include maximum number of shares available under the ESOS, eligibility of the allottees and basis of allocation. The AC has also reviewed the status of ESOS including total options exercised and forfeited during the financial year;

16. One of the members of AC had performed routine visits to the Group IAD to discuss and review the on-going audit matters, audit recommendations made by the Internal Auditors and reviewed the status of action plans taken by Management to address the areas of concern; and

17. Reviewed the AC Report and the Statement on Risk Management and Internal Control before recommending to the Board for approval for inclusion in the 2019 Annual Report.

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR 2019

1. Financial Reporting

The AC reviewed with Management and deliberated on the quarterly consolidated financial statements and the annual financial statements of the Company and the Group prior to the approval by the Board, focusing primarily on:

- changes or implementation of major accounting policies;

- significant matters highlighted by Management, including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters were addressed;

AUDIT COMMITTEE REPORT (CONT'D)

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR 2019 (cont'd)

1. Financial Reporting (cont'd)

- compliance with accounting standards and other legal or regulatory requirements to ensure that the financial statements give a true and fair view of the state of affairs;
- financial results and cash flows of the Group and of the Company; and
- compliance with the Malaysian Financial Reporting Standards and the provisions of the Companies Act 2016 as well as the MMLR.

New financial reporting standards and amendments that came into effect during the financial year were discussed with the External Auditors at the AC meetings. The adoption of these new standards and amendments did not have any significant impact on the financial results for the current or prior years and are not likely to materially affect future periods.

The AC also reviewed and, where applicable, commented on the representation letters by Management to the External Auditors in relation to the audited financial statements.

In accordance with International Standards on Auditing, key audit matters which in the opinion of the External Auditors were of significance in their audit of the annual financial statements were brought to the attention of the AC and highlighted and addressed by the External Auditors in their audit report.

2. External Auditors

The AC also reviewed and discussed with the External Auditors the annual audit plan to set out the proposed scope of work before their commencement of the audit of the financial statements of the Group.

The proposed audit fees for the External Auditors in respect of their audit of the financial statements of the Company and its unlisted subsidiaries were analysed and reviewed by the AC before recommendation to the Board for approval. Non-audit fees and non-audit related costs payable to the External Auditors for non-audit services rendered by the External Auditors during the financial year were also reviewed and considered in ascertaining the suitability and independence of the External Auditors.

The AC conducted its annual assessment based on among others, the External Auditors' independence, level of understanding demonstrated of the Group's business and performance before recommending the reappointment of the External Auditors to the Board of Directors for tabling to the shareholders for approval at the forthcoming AGM.

The AC met three (3) times with the External Auditors during the financial year ended 30 April 2019 at the AC meetings held on 26 June 2018, 18 July 2018 and 22 March 2019 and also conducted three (3) private meetings with the External Auditors without the presence of the Management.

3. Internal Audit

The AC had reviewed and approved the Annual Internal Audit Plan for financial year 2019 for the Company and the Group presented by the Head of In-House Internal Auditor and the co-sourced independent Internal Auditors, CGRM INFOCOMM SDN BHD ("CGRM"), to authorise the deployment of necessary resources to address risk areas identified.

The AC had reviewed and deliberated on the internal audit reports issued in respect of the Group's entities and/or operations each quarter. The audits covered various operations, systems, processes and functions across the Company and the Group. Some weaknesses in internal control were identified for the year under review but these were not deemed significant and have not materially impacted the business or operations of the Group.

The internal audit reports also included follow-up on corrective measures to ensure that Management had addressed the weaknesses identified in a satisfactory manner and the AC had been updated on the progress accordingly.

During the financial year ended 30 April 2019, the AC met five (5) times with the Internal Auditors at the AC meetings held on 26 June 2018, 18 July 2018, 24 September 2018, 14 December 2018 and 22 March 2019. The AC had one (1) private meeting with the Internal Auditors without the presence of the Management at the AC meeting held on 24 September 2018.

AUDIT COMMITTEE REPORT (CONT'D)

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR 2019 (cont'd)

3. Internal Audit (cont'd)

A total of nine (9) audit reports were furnished to the AC for review and deliberation, of which six (6) reports were presented by the Group IAD and three (3) reports by CGRM. The internal auditors had reviewed and conducted audits and assessed the adequacy and integrity of the systems of internal control in accordance to the audit plan as approved by the AC. The results of the audit conducted, as well as key control issues and recommendations were highlighted to the AC upon completion of each audit session for discussion and assessment.

With regard to the internal control framework, the Group IAD and CGRM adopted COSO framework and principles as methodology to assess the system of effective internal controls. Both IAD and CGRM conducted the audit with reference to the guidelines of The International Professional Practice Framework, International Standards for the Professional Practice of Internal Auditing, and following the guidance of The Institute of Internal Auditors' Code of Ethics as well as the Group's and the Company's policies.

In arriving at the Internal Auditors' professional judgement, sufficient and appropriate audit procedures were completed and supported by evidence to accurately report the conclusions reached and contained in the audit report. The conclusions were based on a comparison of the actual situation at the time of the audit with the assessment criteria, best practice and generally accepted standard of practices.

The Head of Internal Audit, Ms. Wong Ngiik Moi, was appointed in March 2016 and is supported by one (1) Senior Executive and one (1) Executive currently. She is a member of the Institute of Internal Auditors Malaysia, Certified System Investigator ("CSI") and holds a Degree in Accounting. She has extensive knowledge and working experience in the internal audit field with exposure to various industries.

The co-sourced Internal Auditors, CGRM, has been engaged to provide internal audit services to the Group since October 2013. The CGRM team posses qualifications in Certified Internal Auditor (CIA (USA)), Certified Risk Management Assessor (CRMA (USA)), Chartered Member of the Institute of Internal Auditors (CMIIA (USA)), Associate member of the Association of International Accountants (AAIA (UK)), Bachelor (Hons) in Accounting, and backed by working experience in essential fields on Corporate Governance, Risk Management and Internal Audit.

The AC had reviewed, discussed and deliberated the tenure of service for CGRM and also reviewed the performance and competency assessment of the In-house Internal Auditors. The Committee opined that the audit work and control assessment review provided by CGRM, the out-sourced Internal Auditors could be carried out by the IAD by enhancing the internal audit team. As such, the AC has recommended the non-renewal of CGRM's contract upon its expiry in December 2018. The Board had been notified of the AC's decision to discontinue the services of CGRM as co-sourced internal auditors.

4. Related Party Transactions ("RPT")

Related party transactions of the Company and the Group which exceeded the pre-determined thresholds as set out in the Group's Internal Policy were reviewed by the AC to ensure that these transactions were fair, reasonable, on normal commercial terms, not detrimental to the interests of the minority shareholders and in the best interest of the Company before recommending the same to the Board for approval.

The AC reviewed the recurrent RPT of a revenue or trading nature which are necessary for the day-to-day operations of the Company and the Group to ensure that the transactions were in the ordinary course of business and on terms not more favorable to the related parties than those generally available to the public or non-related third parties, whether there are any compelling business reasons for the Company to enter into the RPT or recurrent RPT and the nature of alternative transactions and whether the RPT or recurrent RPT would impair the independence of the related party, if he / she is an independent director.

AUDIT COMMITTEE REPORT (CONT'D)

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR 2019 (cont'd)

4. Related Party Transactions ("RPT") (cont'd)

During the financial year 2019, there were no RPT or recurrent RPT that triggered the disclosure threshold under the MMLR and required approval by shareholders at general meeting. The transactions or any one-off transaction entered into between Hai-O Group and the related parties that may trigger conflicts of interest, carried out in the normal course of business, were properly disclosed and the transactions were conducted in accordance with the Group's purchasing policy and were within arm's length perimeter pursuant to the Company's Code of Ethics.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The primary role of the internal audit function is to undertake regular and systematic review of the systems of internal control so as to provide sufficient assurance that the Group has in place a sound risk management, internal control and governance system. The Internal Auditors (in-house and co-sourced) ("IA") maintain their impartiality, proficiency and due professional care when executing its plans and reports directly to the AC.

The Company has established an In-house Group IAD as well as co-sourced the IA to an independent professional services firm, CGRM, to carry out the internal audit function for the Group. The engagement of co-sourced service provider was intended to complement the In-house Group IAD and to enhance the internal audit function of the Group. The service contract of the co-sourced Internal Auditors expired in December 2018.

The Group's risk-based internal audit plan was drawn up taking into consideration the potential high-risk areas identified through the risk register maintained by Management which was prepared based on the risk level and control assessment review conducted by IA, discussions with Management and in consultation with the AC.

The summary of the internal audit works included:

- Reviewed and updated the annual audit plan for deliberation and approval by the AC;
- Performed operational audits on business units of the Group according to the annual audit plan to ascertain a proper system of risk management and adequacy of the internal control systems. Key control issues and recommendations for improvement were highlighted to enable the AC to execute its oversight function;
- Results of the internal audit reviews were reported to the AC on a quarterly basis;
- Performed follow-up reviews to ensure that audit recommendations and action plans were implemented by Management; and
- Reviewed the RPT and conflicts of interest situation that may arise within the Company or the Group.

During the financial year 2019, the In-house Group IA reviewed and conducted six (6) audits assignments and assessed the adequacy of the internal control systems on business operations including the management on Outlet Ordering & Data Processing Management, Purchase, Sales and Warehouse Management, Operation, Sales & Distribution Management, Customer Service Management, Warehouse Inventory Management and Outlets Audit for Northern Region for MLM, Wholesale and Retail Divisions. The In-house IA also performed ERM and RPT review exercise once during the financial year. The independent IA firm, CGRM conducted three (3) high level risk and control assessment review on Corporate Communication Management and Reporting Management on Hai-O Enterprise Berhad ("HOE") and its main business segments, namely MLM Division, HOE Wholesale Division and Retail Division, E-Commerce Order Management and Marketing Event Management in the MLM Division.

In addition, audit reviews were also made at the request of the AC and senior management on specific areas of concern as a follow-up in relation to high-risk areas identified during the course of business. All IA audit reviews were reported to the AC on a quarterly basis.

The In-house Group IAD while maintaining its role to carry out audit activities at the various business units, ISO audit assessment for its main subsidiaries, had also followed up to review the status of Management actions carried out based on the audit recommendations made by the In-house Group IAD as well as CGRM.

The operation cost incurred for internal audit function of the Group in respect of the financial year ended 30 April 2019 amounted to RM309,847.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is pleased to present to our Shareholders the Corporate Governance ("CG") Overview Statement of the Company. This CG Overview Statement should be read in conjunction with the CG Report, which is available on the Company's website at www.hai-o.com.my. The CG Report provides details on how the Company has applied each Practice as set out in the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 30 April 2019 and up to the date of this Report.

The Board recognises the importance of the MCCG and is committed towards achieving high standard of corporate governance practices, values and ethical business conducts. Corporate governance practices shall be the fundamental aspect in the Group's business dealings and culture.

The CG Overview Statement reports on how the Group has applied the following 3 principles, its key focus areas and future priorities with references to the principles and practices of the MCCG, having considered the Group's structure, business environment and industry practices:

a) Board Leadership and Effectiveness;
b) Effective Audit and Risk Management; and
c) Integrity in Corporate Reporting and meaningful Relationship with Stakeholders.

The Board is satisfied that the practices set out in the MCCG have, in all material aspects, been applied to achieve their intended outcomes which are found to be suitable and appropriate to the Group as set out in this Statement and the CG Report. The departures and non-adoptions under the MCCG include the following:

- Practice 4.3 Step Up: Policy which limits the tenure of its independent directors to nine years.
- Practice 4.5: The Board discloses the Company's policies on gender diversity, its targets and measures to meet those targets.
- Practice 4.6: The Board utilises independent sources to identify suitably qualified candidates.
- Practice 7.2 & Practice 7.3 Step Up: The Board discloses on a named basis the top five (5) senior management's remuneration.
- Practice 12.3: Company with large number of shareholders or which have meetings in remote locations should leverage on technology to facilitate voting in absentia and remote shareholders' participation at general meetings.

The explanation for the departures, the Company's intended actions and timeframe to address the departures are disclosed in the CG Report.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Part I - Board Responsibilities

Intended Outcome 1.0
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

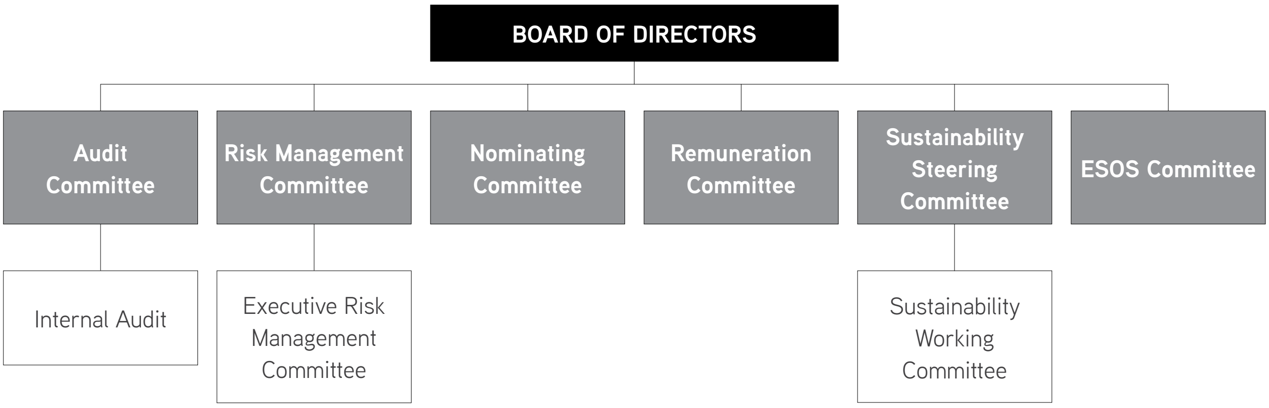
Intended Outcome 2.0
There is demarcation of responsibilities between the board, board committees and management; there is clarity in the authority of the board, its committees and individual directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

The Board

The reporting structure of the Company, where the power of the Board is delegated to the relevant Board Committees and the Management of the Company, is depicted below:



The Board is collectively responsible for the proper stewardship of the Group's business in achieving the objectives and long-term goals of the Company. The functions, roles and responsibilities of the Board are set out in the Board's Charter.

The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the responsibilities in discharging its fiduciary and leadership functions. Matters that require prior review and approval by the Board are set out in the agenda of the annual meeting calendar. Pursuant to Articles 126 and 138 of Company's Constitution, questions arising at any Board meeting or decisions of the Board shall be decided by a majority of votes of the Directors present, each Director having one (1) vote. In the case of an equality of votes, the Chairman shall have a second or casting vote provided always that the Chairman of a meeting at which only two (2) Directors are present or at which only two (2) Directors are competent to vote on the questions at issue shall not have a second or casting vote, or alternatively, circular resolutions must be signed by a majority of the Directors. The Company Secretary keeps the minutes of the Board meetings, a draft of which is circulated to Management and Directors for their comments prior to approval by the Chairman.

To ensure the effective discharge of its function and responsibilities, the Board delegates powers of the Board to the Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee, Sustainability Steering Committee and ESOS Committee to oversee the Group's affairs in accordance with their respective Terms of Reference. All proceedings, matters arising, deliberations in terms of the issues discussed, and recommendations made by the Board Committees' at their respective meetings are recorded in the minutes by the Company Secretaries, confirmed by the Board Committees, signed by the Chairman of the respective Committees, and reported to the Board. Upon invitation, Management representatives are present at the Board Committees' meetings to provide additional insight on matters to be discussed during the said Committee meetings, if so required.

The Board, assisted by the respective Board Committees, is responsible for, amongst others, the following:

- Reviewing and adopting a strategic plan for the Group, taking into account the sustainability of the business of the Group with attention given to the environmental, economic and social aspects of the operations;
- Overseeing and evaluating the conduct of the Group's businesses, review of business plans and approval of annual budget;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Establishing a succession plan for senior management;
- Overseeing the development and implementation of Investor Relation's policy for the Company;
- Reviewing the adequacy and integrity of the management information and internal controls system of the Group;
- Formulating corporate policies and strategies;
- Approving key matters such as quarterly financial results, audited financial statements as well as major investments and divestments, major acquisitions and disposals and major capital expenditure;
- Assessing on an annual basis the effectiveness of the Board, Board Committees, individual Directors and Senior Management;
- Reviewing the terms of office and performance of the Board Committees and each of its members in accordance to their respective terms of office.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Board Activities in Financial Year 2019 and Future Priorities

Following is a summary of key matters addressed by the Board either directly or via its respective Board Committees in Financial Year 2019 up to the date of this Report: -

FOCUS AREA	ACTIVITIES
Strategic Plans and Sustainability	• Conducted a strategic planning workshop which was attended by the Head of Departments and supporting staff. • Reviewed the KPI methodology. • Reviewed and approved the Group's business plan and strategies and Budget for FY2020. • Reviewed and approved the Sustainability strategies and policies.
Governance & Financial Reporting	• Reviewed the composition and skills of the Board and Board Committees, the performance and effectiveness of the Board, Board Committees and individual Directors. • Reviewed and approved the re-organisation of the Audit Committee, Remuneration Committee and Risk Management Committee. • Reviewed and proposed that a new Constitution be adopted in place of the existing Constitution to be tabled to the shareholders for approval at the forthcoming AGM which covers among others, the issuance of annual report and documents in electronic form. • Reviewed and approved the annual report, quarterly results and financial statements. • Approved dividend payments and reviewed the solvency position of the Company.
Risk Management & Internal Control	• Reviewed principal business risks and ensured the implementation of mitigating measures and internal controls. • Reviewed internal audit findings and management responses. • Reviewed and approved the Statement on Risk Management and Internal Control for inclusion in the Annual Report. • Reviewed the report of the External Auditors.

Looking ahead to Financial Year 2020: -

During the year, the Board will: -

- Focus on strategies to ensure that our business will be sustainable for the medium and long term;
- Implement the improved KPI methodology for the Group;
- Drive a culture that prioritises compliance, internal control, risk management practices and sustainability governance to build a strong and resilient organisation;
- To embark on digital transformation strategies to achieve cost optimisation.

Succession Planning

The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of personnel through mentoring, training and job rotation for high level management positions that become available due to retirement, resignation, death or disability and new business opportunities.

The Chairman

Mr. Tan Kai Hee is the Chairman of the Group who is responsible for ensuring the smooth and effective functioning of the Board. His duties include providing leadership to the Board, ensuring that the Board carries out its responsibilities in the best interest of the Company and that all the key issues are discussed in a timely manner. The Chairman is also tasked to facilitate active discussion and participation by all Directors and ensure that sufficient time is allocated to discuss all relevant issues at Board meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Company Secretary

The Company Secretaries are members of the Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA). They are competent in carrying out their work and play supporting and advisory roles to the Board. They ensure adherence and compliance to the procedures and regulatory requirements from time to time. They also ensure that meetings are properly convened and deliberations at meetings are accurately captured and minuted.

Board Charter

To enhance accountability, the Board Charter which clearly sets out the roles, functions, composition, operation and processes of the Board was developed and replaced the Directors Handbook which was established in 2010. The Board Charter clearly sets out the roles and responsibilities of the Board and Board Committees, function of the Board and those delegated to Management, the processes and procedures for convening their meetings and the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company. The Board Charter will be periodically reviewed and updated to take into consideration the needs of the Company as well as any development in relevant rules, regulations and laws that may impact the discharge of the Board's duties and responsibilities.

The Board Charter spells out the governance structure, authority and reserved matters for the Board whilst that for the respective Board Committees is spelt out in their respective terms of reference. The Board Charter was updated and enhanced in August 2018.

The Board Charter, Terms of Reference of Audit Committee, Nominating Committee and Remuneration Committee are available on the Company's website at www.hai-o.com.my under the Investor Relations section.

Access to Information and advice

The Board is given the meetings schedule a year ahead at the start of each calendar year so that the Directors could plan ahead to allocate time for their attendance of such meetings.

Notice of meetings set out the agenda and accompanied by the relevant Board papers are given to the Directors within sufficient time to enable the Directors to review, seek additional information or clarification on the matters to be deliberated at Board meetings.

The Board meets at least once every three (3) months. During the financial year ended 30 April 2019, the Board met five (5) times with an average attendance record of 98%. Senior Management staff were invited to attend the Board meetings to provide the Board with operational, management and financial details. The details of Directors' attendance during the financial year 2019 are set out on page 90 of this Annual Report.

The Chairmen of the respective Board Committees are given time under a separate Agenda at each Board Meeting following their respective meetings to brief the Board on salient matters deliberated at such Committee meetings and if necessary, recommend to the Board actions to be taken.

The Board has unrestricted access to all staff for any information pertaining to the Group's affairs. In addition, the Board has access to the advice and services of the Company Secretaries who are responsible in ensuring that Board meeting procedures are followed and that applicable rules and regulations are being complied with. The Board may also seek independent professional advice at the expense of the Company as they deem necessary in furtherance of their duties. Any Director who wishes to seek independent professional advice in the course of discharging his/her duties may raise the request during the Board meeting or convey the request through key Senior Management or the Company Secretary for consideration of the Board at a Board meeting to be held.

In addition, the Board is also briefed and updated on the latest amendment on the relevant regulatory requirements from time to time at the respective Board meetings by the Company Secretary.

Time Commitment and Protocols for accepting new directorship

The Board meets at least quarterly with additional meetings convened as and when necessary. Board meetings for each financial year are scheduled in advance to enable the Directors to allocate time for such meetings.

The Board obtains this commitment from Directors at the time of appointment and this is assessed by the Nominating Committee annually. In any circumstances, the Directors must not hold more than five (5) directorships in public listed companies in accordance with the Main Market Listing Requirements of Bursa Securities ("MMLR").

Intended Outcome 3.0

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Code of Ethics and Whistleblowing Policy

The Board is committed to maintain a corporate culture which engenders ethical conduct. The Directors observe the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my and the Company's website at www.hai-o.com.my. The Code of Ethics provides guidance to the Directors of the Company in performing their duties as it aims to establish a standard of ethical behaviour based on trustworthiness and values as well as uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administration of a company. The Group has also established an internal policy which is formalised through the Company's Code of Ethics and Business Conduct ("Business Code"). The employees of the Group are required to adhere to the principles and practices outlined in the Business Code in performing their duties and responsibilities. The Internal Business Code is available on our internal portal which is accessible by all directors and employees.

The Company has adopted a Whistleblowing Policy which is disseminated to employees on the Company's internal portal. The Whistleblowing Policy which states the appropriate communication and feedback channels to facilitate whistleblowing can also be accessed at the Company's website at www.hai-o.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Part II – Board Composition

> **Intended Outcome 4.0**
>
> Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Our Board has ten (10) members, comprising three (3) Executive Directors and seven (7) Independent Non-Executive Directors. This complies with Paragraph 15.02 of the MMLR that requires at least one-third (1/3) of the Board to be Independent Directors as well as Practice 4.1 of the MCCG that requires at least half of the board to comprise of independent directors. In the event of any vacancy in the Board of Directors resulting in non-compliance with Para 15.02(3) of the MMLR, the Company must fill the vacancy within 3 months. Currently, the composition of the independent directors is 70% and presently, the Board has 20% female representation as 2 out of the 10 directors are women.

The Board recognises the importance of independence and objectivity in the decision-making process. The Independent Non-Executive Directors do not participate in the day-to-day management of the Group. They play a significant role in providing unbiased and independent views, advices and decisions while taking into account the interest of relevant stakeholders including minority shareholders of the Company.

The Board is aware of the good practice that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years' tenure. Although there is no fixed-term limit for Independent Directors of the Company, the Board may, with the recommendation of the Nominating Committee, seek shareholders' approval at general meeting if the Board intends to retain the Director as an Independent Director after the respective Independent Director has served a cumulative term of nine (9) years.

The Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by their tenure of service. Their long service should not affect their independence as they are independent minded and can continue to provide the necessary check and balance in the best interest of the Company. If the Independent Director(s) who have served more than nine years is/are able to contribute their expertise and skills towards the Company to attain greater heights, he/she should remain as Independent Non-Executive Director(s) of the Company as the intended outcome is achieved as they are able to make objective decision in the best interest of the Group taking into account the diverse perspectives and insights.

As an annual practice, all the Independent Non-Executive Directors have provided their annual confirmations of independence to the Board based on the Company's criteria of assessing independence in line with the definition of "independent directors" prescribed by the MMLR.

The Board had assessed and concluded that all the Independent Non-Executive Directors of the Company, namely, Chow Kee Kan @ Chow Tuck Kwan, Tan Kim Siong, Soon Eng Sing, Chia Kuo Wui, Tan Beng Ling, Hajjah Ruhanas Binti Harun and Ng Chek Yong have demonstrated independence in their conduct and behaviour which are essential indicators, and that each of them is independent of the Company's management and free from any business or other relationships which could interfere with the exercise of their independent judgement or the ability to act in the best interest of the Company.

The positions of the Group Executive Chairman and Group Managing Director are held by different individuals. There is also a clear distinction of responsibilities between the Group Executive Chairman and the Group Managing Director to maintain a balance of authority and accountability.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II – Board Composition (cont'd)

The Group Executive Chairman provides overall leadership to the Board and is primarily responsible for the orderly conduct and function of the Board to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates the discussion. The Group Managing Director is principally responsible to implement and execute corporate strategies, policies and decisions adopted by the Board as well as to oversee the overall business operations.

The Board's composition represents a mix of knowledge, skills and expertise relevant to the activities of the Group. A brief profile of each Director is presented on pages 7 to 10.

Nominating Committee

The Board has delegated to the Nominating Committee the responsibility to establish, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors, including the assessment on the effectiveness of the Board as a whole, the performance of each individual Director and the Board Committees, including the term of office and performance of the Audit Committee, Risk Management Committee, Remuneration Committee and its members on an annual basis. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are properly documented.

The Board had set up a Nominating Committee on 18 December 2001. The Nominating Committee currently comprises exclusively of Independent Non-Executive Directors. The members are as follows: -

Name	Directorship
Chairman: Chow Kee Kan @ Chow Tuck Kwan	Senior Independent Non-Executive Director
Members: Soon Eng Sing Chia Kuo Wui	Independent Non-Executive Director Independent Non-Executive Director

The Chairman of the Nominating Committee, Chow Kee Kan @ Chow Tuck Kwan was designated as Senior Independent Non-Executive Director on 1 August 2016. The role of the Senior Independent Non-Executive Director amongst others includes taking the lead of succession planning, recommending appointment of board and committee members, annual reviewing of board and board committees effectiveness and assessing the performance of each individual Director. The Senior Independent Non-Executive Director is also the point of contact for shareholders to convey their concerns. The term of reference of the Nominating Committee was updated and enhanced in August 2018 and is available at our website www.hai-o.com.my.

The Nominating Committee has developed criteria for the assessment of the Independent Directors annually. The Nominating Committee also assesses the training needs of Directors for continuous education purpose, evaluates expected time commitment of the Directors and establishes protocols for the Board to accept new directorships.

The Nominating Committee meets at least once a year with additional meetings to be convened, if necessary. During the financial year under review, the Nominating Committee has met three (3) times to carry out the following key activities:

a) reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
b) evaluated the performance and effectiveness of the Board and each individual Director;
c) evaluated the performance and effectiveness of the Audit Committee, Remuneration Committee, Risk Management Committee and each of its members respectively;
d) identified the training needs of Directors for continuous education;
e) recommended the restructuring of Audit Committee, Remuneration Committee and Risk Management Committee following the re-designation of Y.Bhg. Datin Seri Sunita Mei-Lin Rajakumar from Independent Director to Non-Independent Non-Executive Director at the conclusion of the last 43rd AGM and her subsequent resignation from the Board on 25 March 2019;
f) assessed and evaluated the suitability of the proposed candidate, namely Ng Chek Yong ("Mr. Ng"), as a Director of the Company based on the criteria as set out in the Terms of Reference of the Nominating Committee and upon obtaining the declaration and confirmation in writing on amongst others, his time commitment and other requisite requirements and recommended to the Board of Directors for the appointment of Mr. Ng as an Independent Non-Executive Director;
g) assessed and recommended to the Board the re-election of the Directors who are due for retirement pursuant to Article 102(1) and Article 109 of the Company's Constitution to be tabled to the shareholders for approval at the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Nominating Committee (cont'd)

In compliance with the Constitution of the Company, one third (1/3) of the directors shall retire by rotation at each AGM and that a director who is appointed during the year shall retire at the next AGM. The Constitution further provides that all Directors shall retire from office at least once in every three (3) years.

In addition to the annual assessment of Independence, both Nominating Committee and the Board have carried out a separate assessment on the independence of Chow Kee Kan @ Chow Tuck Kwan ("Mr. Chow"). His tenure of office as an Independent Non-Executive Director of the Company will be nine (9) years cumulatively by 1 April 2020. Mr. Chow has abstained himself from the deliberation on the agenda with regards to his independency assessment. In applying the recommendation under the MCCG, the Board has assessed and with the recommendation of the Nominating Committee would recommend to the members of the Company to vote in favour of the resolution for Mr. Chow to continue to act as an Independent Non-Executive Director at the forthcoming AGM. This is because he has demonstrated throughout the term of his office to be independent not only by the mere fulfilment of the criterion under the definition of an Independent Director in the MMLR of Bursa Securities but subjectively too by exercising independent judgement when a matter is put before him for a decision. He also has the necessary knowledge in business accounting, auditing, taxation and corporate management as well as operations of the Group and has the experience to make informed decision and to participate actively during deliberations or discussions at Board meetings.

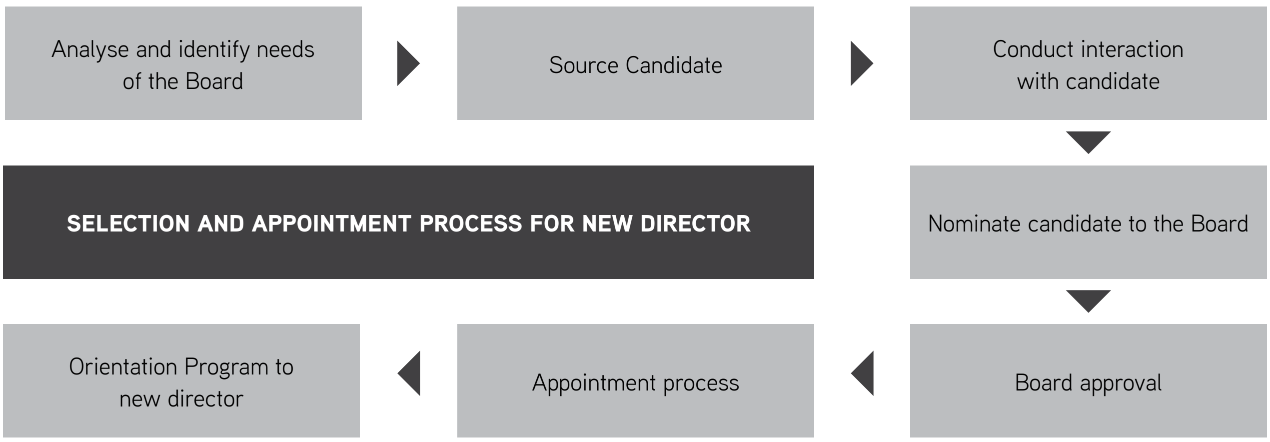
Board Nomination and Election Process of Director(s)

The Nominating Committee is responsible to recommend candidates to the Board to fill vacancy arising from resignation, retirement or other reasons or if there is a need to appoint additional directors with the required skills or profession to the Board in order to close the competency gap in the Board as identified by the Nominating Committee. Upon receipt of the proposal, the Nominating Committee is responsible to conduct an assessment and evaluation of the proposed candidate. Upon completion of the assessment and evaluation of the proposed candidate, the Nominating Committee would make its recommendation to the Board. Based on the recommendation of the Nominating Committee, the Board would evaluate and decide on the appointment of the proposed candidate.

Members of the Nominating Committee would meet with potential candidates for the position of director to assess their suitability based on a prescribed set of criteria as set out in the Terms of Reference of the Nominating Committee. Potential candidates are required to declare and confirm in writing, amongst others, his/her time commitment, current directorships, that he/she is not an undischarged bankrupt, or is involved in any court proceedings in connection with the promotion, formation or management of a corporation involving fraud or dishonesty punishable on conviction with imprisonment or is subject to any investigations by any regulatory authorities under any legislations. Furthermore, candidates being considered for the position of independent directors are required to declare and confirm their independence based on the criteria set out in the MMLR.

Management would assist the new directors to familiarise themselves with the Group's structure and businesses by providing the directors with relevant information about the Group. New directors are also encouraged to undertake site visits and to meet with key senior executives.

The selection and appointment process for new director(s) is as follows: -



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Board Nomination and Election Process of Directors (cont'd)

The Group does not practice discrimination in any form, whether based on age, gender, ethnicity or religion throughout the organisation. This includes the selection of Board members and senior management. In designing the Board Composition, the Group believes that it is of utmost importance that the Board comprises the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and is able to discharge its duties in the best interests of the Company and shareholders.

During the year, the Nominating Committee has recommended Mr. Ng Chek Yong ("Mr Ng") who fits the criteria requirements for appointment to the Board. The appointment of the new director has taken into consideration the mix of knowledge, skills and expertise relevant to the activities of the Group, independence and boardroom diversity.

Mr. Ng has declared that there is no conflict of interest with regard to his appointment as an Independent Non-Executive Director of Hai-O. He has also declared his independence as defined under Paragraph 1.01 of MMLR of Bursa Securities and confirmed that he would be able to meet the time commitment required towards fulfilling his roles and responsibilities as a director of the Company.

The Board is open to utilise independent sources in identifying suitably qualified candidates where necessary. For the newly appointed director, Mr. Ng, no other sources were used as Mr. Ng is very experienced in his fields of expertise and does not require further referrals or introduction from third parties.

Changes in Board Committees

During the year under review, the Board has reviewed the composition of the respective Board Committees and evaluated the gap that is required to meet the practices as recommended by the MCCG. The Audit Committee, Remuneration Committee and Risk Management Committee were reconstituted on 17 December 2018 when Y.Bhg. Datin Seri Sunita Mei-Lin Rajakumar ("Y.Bhg. Datin Seri Sunita") resigned as the Chairperson of the Audit Committee and the Risk Management Committee respectively. Y.Bhg. Datin Seri Sunita subsequently resigned from the Board on 25 March 2019. Mr. Ng Chek Yong was appointed as an Independent Non-Executive Director of the Company from 2 May 2019 upon completion of his declaration in compliance with Section 201 of the Companies Act 2016.

The Audit Committee and Risk Management Committee were further restructured with the appointments of Ms. Tan Beng Ling as the Chairperson to the Audit Committee and Mr. Ng Chek Yong as a new member of the Risk Management Committee respectively, both effective from 1 August 2019.

Directors' Training

The Board acknowledges that continuous education is essential for its members to gain insight into the state of economy, technological advances, regulatory updates and management strategies.

The following are the training programmes, seminars, workshops and briefings attended by Directors during the financial year 2019: -

No.	Topics	TKH	TKK	HVK	KK Chow	CKW	TKS	SES	TBL	Hajjah Ruhanas
1.	Cyber Security Awareness For Board and Management		√	√	√	√	√	√	√	
2.	Transfer Pricing Briefing			√						
3.	Mandatory Accreditation Programme for Directors								√	√
4.	Internal Audit for Board And Audit Committee						√			
5.	Rethinking - Independent Directors: Board Best Practices					√				
6.	2019 Budget: What You Need to Know The Economy, Capital Market and You			√						

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Directors' Training (cont'd)

No.	Topics	TKH	TKK	HVK	KK Chow	CKW	TKS	SES	TBL	Hajjah Ruhanas
7.	H&S Insurance			√						
8.	Return on Innovation Investment		√	√		√	√		√	
9.	Direct Sales Act			√						
10.	MFRS 15 Revenue from Contracts with Customers			√	√		√			
11.	MRFS 16 Leases			√	√		√			
12.	Remuneration Committee: Attracting and Retaining The Best Talents			√						
13.	Sustainability Workshop 2019			√					√	
14.	Corporate Liability Provision	√		√	√				√	
15.	Financial Analytical Skills in Detecting Financial Statement Fraud			√					√	

Note:
(i) TKH (Tan Kai Hee), TKK (Tan Keng Kang), HVK (Hew Von Kin), KK Chow (Chow Kee Kan @ Chow Tuck Kwan), CKW (Chia Kuo Wui), TKS (Tan Kim Siong), SES (Soon Eng Sing), TBL (Tan Beng Ling), Hajjah Ruhanas (Hajjah Ruhanas Binti Harun)
(ii) excludes Y.Bhg. Datin Seri Sunita Mei-Lin Rajakumar who resigned on 25 March 2019.

The newly appointed Director, Ng Chek Yong, is scheduled to attend the Mandatory Accreditation Programme for Directors in August 2019.

The Directors are encouraged to participate in other relevant training programmes to further enhance their knowledge and skills in discharging their responsibilities more effectively.

Intended Outcome 5.0

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Evaluation and Assessment

The process of assessing the Directors is an on-going responsibility of the entire Board. The Board has put in place a formal evaluation process to annually assess the effectiveness of the Board as a whole and the Board Committees, as well as the contribution and performance of each individual Director, including the Independent Non-Executive Directors.

The criteria used, among others, for the annual assessment of individual Directors include an assessment of their roles, duties, responsibilities, competency, expertise and contribution. For the Board and Board Committees, the criteria used include among others, composition, structure, accountability, responsibilities, adequacy of information and processes. In general, the assessment covers: -

- Individual board member's understanding of the Company's mission and strategic plan;
- Board members' understanding and knowledge of the Group's business and performance and application of good governance principles to create sustainable shareholder's value;
- Board's independence in the process of decision making;
- In the case of Independent Non-Executive Directors, the members' ability to discharge such responsibilities or functions as expected from Independent Non-Executive Directors and whether the member has any conflict of interest with the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Evaluation and Assessment (cont'd)

In line with Practice 5.1 of the MCCG, the questionnaires on the annual assessment of the effectiveness of the Board and individual directors also included among others, the evaluation of their:

- willingness and ability to critically challenge and ask the right questions;
- character and integrity in dealing with potential conflict of interest situation, if any;
- commitment to serve the Company; and
- confidence to stand up for a point of view.

In respect of the assessment for the financial year ended 30 April 2019 which was internally facilitated together with the external Company Secretary, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director is satisfactory. The Board was also satisfied that the Board's composition in terms of size, the balance between Executive, Non-Executive and Independent Directors and mix of skills was adequate.

Part III – Remuneration

Intended Outcome 6.0

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long term objectives. Remuneration policies and decisions are made through a transparent and independent process.

Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Remuneration Committee

The Remuneration Committee is principally responsible for setting the policy framework and making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors and key Senior Management. The term of reference of the Remuneration Committee which includes the Remuneration Policies was updated and enhanced in August 2018 and is available at our website www.hai-o.com.my.

The remuneration packages of the Executive Directors and key Senior Management have been structured to attract and retain Directors and key Senior Management of the right calibre to manage the Group effectively. The recommendation of remuneration of the Executive Directors and key Senior Management is measured by amongst others, the Directors' contribution, commitment, responsibilities and expertise while rewards are linked to the Company's and individual's performance which comprise of financial, non-financial and operational targets. The Executive Directors excused themselves from deliberation on their own remuneration at Board meetings.

In the case of Non-Executive Directors, the remuneration philosophy is to establish a remuneration structure that commensurate with the seniority, experience, contribution, level of responsibilities and representation in Board Committees by a particular Non-Executive Director. The remuneration and benefits payable to the Non-Executive Directors would be tabled to the shareholders for approval at the forthcoming AGM.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Remuneration Committee (cont'd)

The Remuneration Committee was reconstituted on 17 December 2018. Presently, it comprises wholly of Non-Executive Directors, all of whom are Independent.

Name	**Directorship**
Chairman: Soon Eng Sing	 Independent Non-Executive Director
Members: Chow Kee Kan @ Chow Tuck Kwan Chia Kuo Wui	 Senior Independent Non-Executive Director Independent Non-Executive Director

During the financial year ended 30 April 2019, the Remuneration Committee held three (3) meetings. The Remuneration Committee has reviewed the remuneration packages of the Executive Directors and key Senior Management staff based on Key Performance Indicators and performance appraisal carried out by the Group Managing Director before making its recommendation to the Board for its consideration and approval.

The respective Director shall abstain from deliberating and voting on his/ her own remuneration at the Remuneration Committee and Board of Directors meetings.

The Directors' fees, both Executive and Non-Executive, would be tabled to the shareholders for approval at the forthcoming AGM.

Directors' Remuneration

The details of the remuneration of Directors for the financial year ended 30 April 2019 are as follows:

Company	**Directors' Fees (RM)**	**Salaries, Bonuses, Incentives (RM)**	**Other Emoluments[N1] (RM)**	**Benefits-In-Kind[N2] (RM)**	**Total (RM)**
Executive Directors					
Tan Kai Hee	23,000	642,000	5,593	23,950	694,543
Tan Keng Kang	23,000	514,319	103,203	8,800	649,322
Hew Von Kin	23,000	799,400	108,051	23,950	954,401
Sub-Total	**69,000**	**1,955,719**	**216,847**	**56,700**	**2,298,266**
Non-Executive Directors					
Chow Kee Kan @ Chow Tuck Kwan	23,000	-	111,633	-	134,633
Y. Bhg. Datin Seri Sunita Mei-Lin Rajakumar#	21,083	-	89,517	-	110,600
Chia Kuo Wui	23,000	-	81,003	-	104,003
Soon Eng Sing	23,000	-	79,003	-	102,003
Tan Kim Siong	23,000	-	76,723	-	99,723
Tan Beng Ling	23,000	-	78,723	-	101,723
Hajjah Ruhanas Binti Harun*	19,167	-	56,073	-	75,240
Sub-Total	**155,250**	**-**	**572,675**	**-**	**727,925**
Grand Total	**224,250**	**1,955,719**	**789,522**	**56,700**	**3,026,191**

N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.

N2 Benefits-in-Kind comprised provision of company's motor vehicle, driver and others.

 # Non-Executive Director who resigned on 25 March 2019.

** Non-Executive Director who was appointed on 2 July 2018, i.e. during the financial year ended 30 April 2019.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Directors' Remuneration (cont'd)

Group	Directors' Fees (RM)	Salaries, Bonuses, Incentives (RM)	Other Emoluments[N1] (RM)	Benefits-In-Kind[N2] (RM)	Total (RM)
Executive Directors					
Tan Kai Hee	38,000	1,477,200	6,778	23,950	1,545,928
Tan Keng Kang	53,000	804,819	158,717	8,800	1,025,336
Hew Von Kin	27,000	851,800	115,275	23,950	1,018,025
Sub-Total	**118,000**	**3,133,819**	**280,770**	**56,700**	**3,589,289**
Non-Executive Directors					
Chow Kee Kan @ Chow Tuck Kwan	23,000	-	111,633	-	134,633
Y. Bhg. Datin Sunita Mei-Lin Rajakumar#	21,083	-	89,517	-	110,600
Chia Kuo Wui	28,000	-	81,003	-	109,003
Soon Eng Sing	23,000	-	79,003	-	102,003
Tan Kim Siong	23,000	-	76,723	-	99,723
Tan Beng Ling	23,000	-	78,723	-	101,723
Hajjah Ruhanas Binti Harun*	19,167	-	56,073	-	75,240
Sub-Total	**160,250**	**-**	**572,675**	**-**	**732,925**
Grand Total	**278,250**	**3,133,819**	**853,445**	**56,700**	**4,322,214**

N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.
N2 Benefits-in-Kind comprised provision of company's motor vehicle, driver and others.
 # Non-Executive Director who resigned on 25 March 2019.
** Non-Executive Director who was appointed on 2 July 2018, i.e. during the financial year ended 30 April 2019.*

Saved as disclosed above, there were no other remuneration paid for services rendered by any Director to the Company and the Group for the financial year ended 30 April 2019.

The Directors who are shareholders of the Company had abstained from voting at the previous 43rd AGM and shall abstain from voting at the forthcoming 44th AGM on Resolutions pertaining to their Directors' fees, benefits and their respective re-election as Directors.

The aggregate remuneration of the Senior Management (excluding Group Executive Directors) for the financial year ended 30 April 2019, is as follows: -

Group Level	Salaries, Bonuses, Incentives (RM)	Other Emoluments[N1] (RM)	Benefits-In-Kind[N2] (RM)	Total (RM)
Senior Management*	986,950	109,891	11,100	1,107,941

** Comprised 3 Senior Management*
N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.
N2 Benefits-in-Kind comprised provision of company's motor vehicle and others.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

> **Intended Outcome 8.0**
>
> There is an effective and independent Audit Committee. The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

The Audit Committee comprises wholly of Non-Executive Directors, all of whom are Independent. The composition of the Audit Committee, including its roles and responsibilities, is set out on pages 61 to 66 of this Annual Report.

The Chairman of the Audit Committee and the Chairman of the Board are held by different persons.

All members of the Audit Committee are financially literate as they keep themselves abreast with the latest developments in accounting and auditing standards and the impact to the Group through briefings by Management and external auditors.

Assessment of suitability and independence of External Auditors

Through the Audit Committee, the Board has established a transparent and professional relationship with the Company's internal and external auditors.

The Company's independent external auditors fill an essential role for the shareholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements. In the course of their audit of the Group's financial statements, the external auditors would highlight to the Audit Committee matters that require the Board's attention. Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and report and presenting their comments on the audited financial statements. At least twice a year, these meetings are held without the presence of the management of the Company to ensure that the external auditors can freely discuss and express their opinions on any matter to the Audit Committee, and the Audit Committee can be sufficiently assured that Management has fully provided all relevant information and responded to all queries from the external auditors.

In addition, the external auditors are invited to attend the AGM of the Company and are required to be available to answer shareholders' questions on the conduct of the statutory audit and contents of their audit report.

The Audit Committee shall carry out assessment on the performance, suitability and independence of the external auditors annually covering among others, the following areas:

(a) Service quality;
(b) Sufficiency of resources;
(c) Communication with the Management; and
(d) Independence, Objectivity and Professionalism.

The Audit Committee has also put in place a policy and revised its Terms of Reference to include a cooling-off period of at least two (2) years before a former key audit partner could be appointed as a member of the Audit Committee to safeguard the independence of the audit of the financial statements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Assessment of suitability and independence of External Auditors (cont'd)

The Audit Committee has also taken note of the non-audit services and the fees charged by the external auditors. The policy on audit and non-audit services is guided by the following principles: -

(a) the external auditors may provide audit and non-audit related services that, while outside the scope of the statutory audit, are consistent with the role of auditors;
(b) the external auditors should not provide services that are perceived to be materially in conflict with their role as auditors. However, the external auditors may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditors; and
(c) exceptions may be made to the policy where the variation is in the interest of Hai-O and arrangements are put in place to preserve the integrity of the external audit process. The Board must specifically approve such exceptions.

Before appointing the external auditors to undertake non-audit services, considerations should be given to whether this would create a threat to the external auditors' independence or objectivity. The external auditors should not be appointed unless appropriate safeguards are present to eliminate or reduce the threat to an acceptable level. The external auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services.

The Audit Committee has assessed the independence of KPMG PLT as the External Auditors of the Company as well as reviewed the level of non-audit services rendered by them and after considering the quantum of the fee, which was not material as compared with the total audit fee paid to the external auditors, concluded and recommended to the Board that the provision of such services did not compromise the external auditors' independence and objectivity.

The External Auditors, KPMG PLT, have declared to the Audit Committee their independence in carrying out the audit for the Group and their compliance with relevant ethical requirements at the Audit Committee meeting. Having been satisfied with their performance, technical competency and audit independence, the Audit Committee recommended their fees and suitability for re-appointment to the Board.

The Audit Committee met with the External Auditors three (3) times at the Audit Committee meetings held on 26 June 2018, 18 July 2018 and 22 March 2019 during the financial year ended 30 April 2019. For each of the aforesaid three (3) meetings, the Audit Committee had also allocated a discussion session with the External Auditors without the presence of the Executive Directors and Management.

Company's financial statements is a reliable source of information

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, as well as through quarterly announcements of its results to shareholders. These financial statements are drawn up in accordance with the Companies Act 2016, the MMLR, the International Financial Reporting Standards and the Financial Reporting Standards in Malaysia and are reviewed by the Audit Committee prior to approval by the Board. The annual financial statements are subjected to audit by independent external auditors.

The Board, with the assistance of the Audit Committee, takes due care and reasonable steps to ensure that its quarterly and annual financial statements are presented in an accurate manner. The Audit Committee, when reviewing the financial statements, is also required among others, to focus on significant matters highlighted in the financial statements and significant judgments, estimates or assumptions made by the Management.

The Board is responsible to ensure that financial statements of the Company give a true and fair view of the state of the Company and of the Group as at the end of the reporting period. Accordingly, the Board has prepared the responsibility statements pursuant to the MMLR as outlined on page 83 of this Annual Report.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Part II – Risk Management and Internal Control

Intended Outcome 9.0

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Intended Outcome 10.0

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Recognising the importance of risk management, the Risk Management Committee ("RMC") was established on 21 December 2011. The Board has formalised a structured risk management framework to determine the Company's level of risk tolerance and to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

The RMC was reconstituted on 17 December 2018 and Mr. Ng Chek Yong was appointed as a member with effect from 1 August 2019.

Presently, the Risk Management Committee consists of five (5) members, three (3) of whom are Independent Non-Executive Directors and is in compliance with Practice 9.3 – Step Up of the MCCG which requires the Risk Management Committee to comprise of a majority of independent directors.

Name	**Directorship**
Chairman: Tan Keng Kang	 Group Managing Director
Members: Hew Von Kin Chia Kuo Wui Tan Beng Ling Ng Chek Yong	 Group Executive Director cum Chief Financial Officer Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director

The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control. The system of internal control practised by the Hai-O Group spans across financial, operational and compliance aspects, particularly to safeguard the Hai-O Group's assets and hence shareholders' investments. The system of internal control, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Board has also established an independent internal audit function that reports directly to the Audit Committee. Currently, the Head of Group Internal Audit is supported by two (2) internal audit executives. They are independent from the operational activities of the Group and they do not hold management authority and responsibility over the operations covered in their scope of works.

The Head of Internal Audit, Ms. Wong Ngiik Moi, was appointed in March 2016. She is a member of the Institute of Internal Auditors Malaysia and holds a Degree in Accounting. She has extensive knowledge and working experience in the internal audit field with exposure to various industries. The scope of work covered by the internal audit function during the financial year under review is provided in the Statement on Risk Management and Internal Control contained in this Annual Report.

The Group has previously co-sourced certain aspects of the internal audit function to an external professional internal audit service provider, namely CGRM INFOCOMM SDN BHD (CGRM). The service of co-sourced internal auditors, CGRM was discontinued from December 2018 onwards following the expiry of their contract.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I - Communication with stakeholders

Intended Outcome 11.0

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Investor Relations

An Investor Relations Policy enables the Company to communicate effectively with its shareholders, prospective investors, fund managers, investment analysts and public generally with the intention of giving them a clear picture of the Group's performance and operations.

The shareholders and other stakeholders are kept informed of all major developments and performance of the Group through timely quarterly results announcements and various disclosure and announcements made to Bursa Securities through Bursa Link, press releases, the Company's annual report and circular to shareholders, if applicable.

The Company periodically organises briefings and meetings with analysts and fund managers and also facilitates communications through tele-conference to give stakeholders a better understanding of the businesses and developments of the Group. The corporate presentations and interim financial highlights are made available at the Company's website www.hai-o.com.my.

To maintain a high level of transparency and to effectively address any issues or concerns, the Company maintains a dedicated electronic mail, ir@hai-o.com.my to which stakeholders can direct their queries for investor relations purpose.

Corporate Disclosure Policy & Procedure

The Group recognises the importance of transparency and accountability in the disclosure of the Group's business activities to its shareholders and investors. The Board has adopted a Corporate Disclosure Policy and Procedure for the Group which sets out, among others, the scope and extent of disclosure by the various parties within the organisation, timeliness of disclosure as well as assessment of materiality and if it is reasonably expected to have a material effect on the price, value or market activity of any of the Company's securities; or the decision of a member of the Company or an investor in determining his choice of action.

Leverage on Information Technology for effective dissemination of Information

The Hai-O Group has also leveraged on information technology for broader and effective dissemination of information and has established an Investor Relations Section within the Hai-O Corporate website to provide all relevant information including corporate governance, public announcements, annual reports, financial highlights, corporate information, corporate calendar, dividends history, notice of general meetings, minutes of annual general meeting and others.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Part II - Conduct of General Meetings

Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Annual General Meeting ("AGM")

The Board recognises the importance of keeping shareholders, stakeholders and the general public informed on the Group's business, performance and corporate developments. The AGM remains the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed and the business operations of the Group.

The date of AGM of the Company is scheduled annually in September and the Directors are notified at the beginning of the calendar year of the scheduled meeting to ensure that all Directors are present to provide meaningful response to questions addressed to them. All the Directors, together with the Senior Management team, external auditors and internal auditors are present at general meeting(s) to answer queries from the shareholders who participate in the Question and Answer session. All Directors attended the 43rd AGM held on 25 September 2018.

General Meetings are currently convened in the city of Kuala Lumpur and resolutions put forth are voted by the members via electronic voting to ensure accurate recording of votes. All resolutions will be put to vote by poll.

The Notice of AGM will be served to the shareholders of the Company at least 28 days prior to the meeting.

A summary of the minutes of general meeting(s) including the Question and Answer session is made available to the shareholders at the Company's website at www.hai-o.com.my.

RESPONSIBILITY STATEMENT BY THE BOARD

The Directors are responsible in ensuring that the annual financial statements of the Group are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of Companies Act 2016 and the MMLR.

They are to ensure that the annual financial statements of the Group give a true and fair view of the state of affairs of the Group at the end of the financial year and the results and cash flows for the year then ended.

In preparing the financial statements, the Directors have:
- adopted appropriate accounting policies and applied them consistently;
- made judgements, estimates and assumptions that are prudent and reasonable;
- ensured that applicable approved accounting standards are complied with;
- put in-place an internal control system to ensure the financial statements are free from material misstatements, whether due to fraud or error; and
- prepared the financial statements on a going concern basis.

The Directors have also taken reasonable steps to safeguard the assets of the Group as well as to prevent and detect other irregularities.

This CG Overview Statement was made in accordance with a Resolution of the Board on 2 August 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors ("The Board") is committed to maintaining a sound internal control and risk management system and constantly reviewing the adequacy and effectiveness of the system. The Board is pleased to provide the following statement on the state of internal control of Hai-O Enterprise Berhad ("Company") and its subsidiaries ("Group") for the financial year ended 30 April 2019, which has been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

BOARD RESPONSIBILITY

The Board is committed to maintaining a sound system of risk management and internal control and proper management of risk throughout the operations of the Group in order to safeguard shareholders' investments and assets of the Group. The Board is responsible for determining the overall Group's level of risk tolerance and continuously review, assess and monitor the effectiveness and adequacy of the internal control system which has been embedded in all aspects of the Group's activities.

The risk management and internal control system is designed to continuously identify, assess and manage principal risks that may hinder the Group from achieving its strategic goals and business objectives efficiently, effectively and economically instead of eliminating these risks.

The Board takes cognizance of the system's inherent limitations. Accordingly, the system is designed to manage and provide reasonable, rather than absolute assurance against the risk of failure, material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board has, through its Risk Management Committee ("RMC"), implemented an Enterprise Risk Management ("ERM") Framework throughout the Group to provide an integrated risk management infrastructure to identify, respond to and monitor the strategic key enterprise risks in a systematic and on-going approach.

ROLE AND RESPONSIBILITIES UNDER THE RISK MANAGEMENT FRAMEWORK

Authority Level	Role and Responsibilities
Board of Directors	● Approve and oversee the ERM Framework and internal control system (incorporating Policies and Scope), including changes or additions. ● Responsible for determining the overall Group's level of risk tolerance and continuously review, assess and monitor the effectiveness and adequacy of the risk management and internal control system.
Audit Committee ("AC") and Risk Management Committee ("RMC")	● Develop & implement the ERM Framework and internal control system. ● Review the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system.
Executive Risk Committee ("ERC")	● Assist the RMC in overseeing risk management through its ERM framework. ● Ensure that Management and Risk Owners maintain an effective process to identify, evaluate and manage risk. ● Provide guidance and advice with respect to risk management and monitor risk across the key risk areas.
Management and Risk Owners of Operating Business Units	● Identify and prioritise risks and participate in the Company's risk identification and assessment process. ● Ensure risks are identified, managed and regularly assessed and provide regular updates on risks as well as key indicators measuring the extent of the risks. ● Document the controls and processes to manage the risks of their respective functional areas.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

RISK MANAGEMENT FRAMEWORK (cont'd)

The AC and RMC assist the Board to review the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system.

The major business units are required to document the controls and processes to manage the risks of their functional areas and to assess the effectiveness of the system and be sensitive and responsive to any changes to prevent and/or mitigate or minimise any damages to such functional areas.

The RMC has been restructured following the resignation of Y.Bhg. Datin Seri Sunita Mei-Lin Rajakumar as the Chairperson of the RMC on 17 December 2018. She subsequently resigned from the Board on 25 March 2019. The RMC is currently chaired by the Group Managing Director and consists of three (3) Independent Non-Executive Directors and the Group Executive Director cum Group Chief Financial Officer as follows: -

Name	Designation	Directorship	No. of Meetings Attended in FY2019
Tan Keng Kang (Re-designated as Chairman on 17 December 2018)	Chairman	Group Managing Director	2/2
Hew Von Kin	Member	Group Executive Director cum Chief Financial Officer	2/2
Chia Kuo Wui	Member	Independent, Non-Executive Director	2/2
Tan Beng Ling	Member	Independent, Non-Executive Director	2/2
Ng Chek Yong (appointed on 1 August 2019)	Member	Independent, Non-Executive Director	N/A
Y. Bhg. Datin Seri Sunita Mei-Lin Rajakumar (ceased to be the Chairperson and member on 17 December 2018)	Chairperson	Non-Independent, Non-Executive Director	2/2

The ERC is led by the Group Managing Director and its members comprise divisional or departmental heads as well as the Group Executive Director cum Group Chief Financial Officer. The ERC assists the RMC in overseeing risk management through its ERM framework.

The RMC may invite ERC members or any key risk owners to attend the RMC meeting(s), if required. The RMC had reviewed the risk registers and its status update; deliberated the key and new risks identified and kept track of management actions or measures taken or proposed to be taken within the stipulated timeline during RMC meetings held on 5 June 2018 and 4 December 2018 respectively. The Chairman of the RMC shall report and brief the Board under a separate agenda at each Board Meeting following their respective meetings on the salient matters deliberated, the adequacy of the internal control system in managing the risks, the monitoring process carried out by the Management and the RMC. The Company Secretary is the secretary of the RMC.

The Board has put in place an ERM process for Hai-O Enterprise Berhad and its principal subsidiaries, namely, Sahajidah Hai-O Marketing Sdn. Bhd. and SG Global Biotech Sdn. Bhd..

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

The Group's Enterprise Risk Management Process

The Group's ERM Process comprises four main phases, namely, Risk Assessment, Risk Impact Analysis, Formulation of Action Plan and Risk Monitoring and Review.

Risk Assessment

Risk assessments are conducted on each key business function, activity and process to ensure that they are aligned with the Group's objectives and goals. The identification and management of risk is a continuous process linked to the achievement of the objectives. Any risks arising from these assessments will be identified, analysed and reported to the appropriate functional unit level.

Risk Impact Analysis

Each risk identified is evaluated and given a gross risk rating based on its impact and probability of occurrence and is evaluated as low, medium or high. The level of residual risk is determined after identifying and evaluating the effectiveness of existing controls and mitigating measures taken. All risks identified are evaluated based on appropriate qualitative and quantitative criteria through discussion with the Management and Risk Owners of the Operating Business Units.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

The Group's Enterprise Risk Management Process (cont'd)

Formulation of Action Plan

The risk register is compiled to facilitate the identification, assessment and on-going monitoring of risks. Action plans and mitigating controls are determined for all the risks identified, evaluated and captured in the risk registers. The risk profiles, control procedures and status of action plans are reviewed on a regular basis by the ERC together with the Operating Business Unit Head.

Risk Monitoring and Review

For each of the risks identified, the risk owner is assigned to ensure that the appropriate risk response actions are carried out in a timely manner. The respective risk owners are required to put in place the management actions and control measures, coordinate and communicate with the Risk Coordinator and the In-house Internal Auditors to update the Risk Scorecard from time to time. The Internal Auditors will perform an independent review on the risk and internal control areas and report to the AC on a quarterly basis.

Key Elements of Internal Control

The Group's system of internal control comprises the following key elements: -

1) An on-going process and framework for identifying, evaluating and managing significant risks faced by the Group which is in place for the year under review and up to the date of approval of this statement for inclusion in the annual report and reviewed by the Directors.

2) Clearly documented risk management principles, standard operating procedures and policies are regularly reviewed to meet operational needs and such documentation is communicated to employees.

3) The Board conducts quarterly reviews of the Group's performance and financial position at its meetings to ensure that the Group's overall objectives are achieved. At business units and divisional levels, the Management Team holds meetings on a regular basis to discuss, review, evaluate and resolve operational, financial and key management issues.

4) Each business unit is required to prepare annual budgets to be tabled to the Board for approval. Scheduled operational and management meetings are held to discuss and review business plans, budgets, financial and operational performances of the business units.

5) The Code of Ethics and Business Conduct ("Code of Conduct") is implemented within the Group and each employee is contractually bound to abide by the Code of Conduct. This Code serves to guide all the employees to conduct themselves in the utmost professional manner in dealing with company matters.

6) A clearly defined delegation of responsibilities is set for Committees of the Board, the Management Team and business operating units, including assigning appropriate authority levels to the various divisions of the business.

7) Insurance coverage and physical safeguards over major assets (property, plant and equipment, investment properties and inventories) are in place to ensure that the assets of the Group are adequately covered against any mishap that may result in material losses to the Group.

Internal Audit Function

In addition to the In-house Group Internal Audit Department ("IAD"), the Group also engaged the services of an outsourced internal auditor, CGRM INFOCOMM SDN. BHD. ("CGRM") to complement the work of the IAD. The Group's IAD and CGRM work alongside to continuously provide independent assessment on the adequacy, effectiveness and reliability of the Group's risk management processes and system of internal controls. The internal audit function reviews compliance with policies and procedures and advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The IAD also conducts a follow up review on the implementation status of action plans previously agreed by Management.

The internal audit plan for In-house Group IAD and CGRM are approved by the AC on an annual basis. The results of the audits and recommendations for improvement co-developed with Management are tabled at the AC meetings for discussion and subsequent assessment. Key and significant risk issues will be accelerated to the RMC for deliberation, followed by subsequent monitoring of management actions.

The key risks issues are reported to the Board by the Chairman of the RMC for further deliberation. These include risks at the macro, industry and company specific levels, such as regulatory and compliance risks; the state of the global and domestic economy and the associated risks on key divisions; market share risks; business plan implementation and execution risks; products price cutting issues; fake, counterfeit and infringement products risks; reputation risks; talent retention risks; as well as cyber security risks and threats.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

Internal Audit Function (cont'd)

During the financial year under review, the In-house Group IAD and CGRM have performed control assessment reviews and risk impact analysis on business operations in the Wholesale and Multi-Level Marketing divisions of the Group. The details of the audit scope and coverage are elaborated in the Audit Committee Report.

Furthermore, the In-house Group IAD has performed quarterly follow up reviews with the respective Heads of Business Units of the Wholesale, Multi-Level Marketing, Manufacturing and Retail divisions on the implementation status based on the audit recommendations made by the In-house Group IAD as well as CGRM.

Both the In-house Group IAD and CGRM have assessed the system of internal controls, where applicable, based on the principles of COSO Internal Controls – Integrated Framework ("COSO Framework"). The COSO principles outline five essential components of an effective internal control system, namely (i) Control Environment; (ii) Risk Assessment; (iii) Control Activities; (iv) Information and Communication; and (v) Monitoring. The areas of concerns or emphasis that require Management's immediate or specific attention and monitoring are tabulated in the Key Risk Listing for internal audit focus. Some weaknesses in internal control were identified for the year under review but these are not deemed significant and have not materially impacted the business or operations of the Group.

The co-sourced service contract with CGRM expired in December 2018.

Adequacy and Effectiveness of the Group's Risk Management and Internal Control System

The Board has reviewed the adequacy and effectiveness of the systems of internal control and risk management that provide reasonable assurance to the Group in achieving its business objectives. The Board has received assurance from the Group Managing Director and Group Chief Financial Officer that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this statement. As the development of a sound system of internal control is an on-going process, the Board and the Management maintain an on-going commitment to ensure necessary actions have been taken to remedy significant weaknesses identified from reviews and continue to take appropriate measures to strengthen the risk management and internal control environment of the Group.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 30 April 2019, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement was approved by the Board on 2 August 2019.

ADDITIONAL CORPORATE DISCLOSURE

UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

AUDIT AND NON-AUDIT FEES

The fees payable to the external auditors, KPMG PLT in relation to the audit and non-audit services rendered to the Company and its subsidiaries for the financial year ended 30 April 2019 are as follows:

	The Company RM	The Group RM
Audit fees	101,000	339,600
Non-audit fees	55,000	55,000

MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts of the Company and its subsidiaries, involving Directors', Chief Executive and major shareholders' interests, still subsisting at the end of the financial year.

The Group Managing Director is the Chief Executive who oversees and is primarily responsible for the overall group business operations.

RECURRENT RELATED PARTY TRANSACTIONS

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 32 to the Financial Statements.

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The shareholders of the Company had at its Extraordinary General Meeting held on 15 March 2017 approved the establishment of an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares in Hai-O (excluding treasury shares) at any one time during the duration of the ESOS for eligible employees and directors of Hai-O and its subsidiaries (excluding subsidiaries which are dormant).

A total of 2,200,000 ESOS options was offered to the eligible employees and directors of Hai-O and its subsidiaries on 3 July 2017 in accordance with the terms of the ESOS By-Laws, of which 2,189,000 options were duly accepted during the Offer Period. The ESOS options granted to the directors and senior management is 33.58% of the total ESOS options granted to-date. The number of ESOS options granted to the Directors are disclosed in page 94 of this Annual Report.

During the financial year, there is no new ESOS options granted. The balance ESOS options for the financial year ended 30 April 2019 is 501,000 options. The changes noted during the financial year ended 30 April 2019 are as follows:

	Exercise	No. of Options/ Shares			
Date of offer	Price (RM)	Balance 01.05.2018	Exercised	Forfeited	Balance as at 30.04.2019
3 July 2017	RM3.63	566,000	(34,000)	(31,000)	501,000

ADDITIONAL CORPORATE DISCLOSURE (CONT'D)

EMPLOYEES' SHARE OPTION SCHEME (ESOS) (cont'd)

The movement of the issued share capital of the Company during the financial year ended 30 April 2019 are as follows: -

	No. of Shares	RM
As at 1 May 2018	300,263,890	157,092,458
Ordinary shares issued pursuant to ESOS exercised	34,000	123,420
ESOS reserve capitalised during the year	not applicable	40,572
As at 30 April 2019	300,297,890	157,256,450

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETING

There were five (5) Board of Directors' Meetings held during the financial year ended 30 April 2019. The details of attendance of the Directors are as follows:-

Name of Directors	Number of Board Meetings attended by Directors
Tan Kai Hee	5/5 meetings
Tan Keng Kang	5/5 meetings
Hew Von Kin	5/5 meetings
Chow Kee Kan @ Chow Tuck Kwan	5/5 meetings
Soon Eng Sing	5/5 meetings
Tan Beng Ling	5/5 meetings
Chia Kuo Wui	5/5 meetings
Tan Kim Siong	5/5 meetings
Hajjah Ruhanas Binti Harun	3/4 meetings
Ng Chek Yong (appointed on 2 May 2019)	-
Y.Bhg. Datin Seri Sunita Mei-Lin Rajakumar (resigned on 25 March 2019)	5/5 meetings

FAMILY RELATIONSHIP OF DIRECTORS AND /OR MAJOR SHAREHOLDERS

There is no family relationship among the Directors and / or major shareholders except that: -
- Mr. Tan Keng Kang and Madam Tan Keng Song are the son and daughter of Mr. Tan Kai Hee.
- Madam Phan Van Denh is the wife of Mr. Tan Keng Kang.

CONFLICT OF INTEREST WITH THE COMPANY

None of the Directors and Key Senior Management have any conflict of interest with the Company.

WHAT'S INSIDE

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 April 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the wholesaling and retailing of herbal medicines, healthcare products, wellness and beauty products, investment holding activities and property holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	47,742,525	58,300,164
Non-controlling interests	(295,356)	-
	47,447,169	58,300,164

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

i) In respect of the financial year ended 30 April 2018 as reported in the Directors' Report of that year:

- a second interim dividend of 3 sen per ordinary share totalling RM8,727,945 declared on 23 March 2018 and paid on 13 June 2018.

- a final dividend of 11 sen per ordinary share totalling RM31,963,470 approved on 25 September 2018 and paid on 22 November 2018.

ii) In respect of the financial year ended 30 April 2019:

- an interim dividend of 4 sen per ordinary share totalling RM11,614,620 declared on 17 December 2018 and paid on 7 March 2019.

- the final dividend recommended by the Directors in respect of the financial year ended 30 April 2019 is 9 sen per ordinary share.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 30 APRIL 2019

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Kai Hee
Tan Keng Kang
Hew Von Kin
Chow Kee Kan @ Chow Tuck Kwan
Chia Kuo Wui
Tan Kim Siong
Soon Eng Sing
Tan Beng Ling
Prof Hajjah Ruhanas Binti Harun (appointed on 2 July 2018)
Ng Chek Yong (appointed on 2 May 2019)
Datin Sunita Mei-Lin Rajakumar (resigned on 25 March 2019)

DIRECTORS OF THE SUBSIDIARIES

The names of directors of subsidiaries are set out in their respective subsidiary's directors' report and the board deems such information is included in the holding company's directors' report by such reference and shall form part of the holding company's directors' report.

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and children of the Directors) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.5.2018	**Bought**	**Sold**	**At 30.4.2019**
Interests in the Company:				
Tan Kai Hee				
- direct	29,454,699	106,200	-	29,560,899
- indirect	14,949,383	-	-	14,949,383
Tan Keng Kang				
- direct	12,388,320	-	-	12,388,320
- indirect	32,015,762	106,200	-	32,121,962
Hew Von Kin				
- direct	401,152	-	-	401,152
Chow Kee Kan @ Chow Tuck Kwan				
- direct	20,000	-	-	20,000
Chia Kuo Wui				
- direct	1,381,301	-	-	1,381,301
Tan Kim Siong				
- direct	38,000	-	-	38,000
- indirect	7,500	-	-	7,500
Soon Eng Sing				
- direct	50,000	-	-	50,000

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 30 APRIL 2019

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of ordinary shares			
	At 1.5.2018	Bought	Sold	At 30.4.2019
Deemed interests in the Company:				
Tan Kai Hee *	27,668,823	513,300	-	28,182,123
Tan Keng Kang *	27,668,823	513,300	-	28,182,123
Interests in a subsidiary, Hai-O Raya Bhd.:				
Tan Kai Hee				
- direct	34,000	-	-	34,000
- indirect	47,000	-	-	47,000
Tan Keng Kang				
- direct	16,000	-	-	16,000
- indirect	65,000	-	-	65,000
Hew Von Kin				
- direct	3,000	-	-	3,000
Deemed interests in a subsidiary, Hai-O Raya Bhd.:				
Tan Kai Hee*	30,000	-	-	30,000
Tan Keng Kang*	30,000	-	-	30,000

* Deemed interested by virtue of the Directors' interests in Akintan Sdn. Bhd. and/or Daritan Sdn. Bhd.

	Number of options over ordinary shares			
	At 1.5.2018	Granted	Exercised	At 30.4.2019
Hew Von Kin	20,000	-	-	20,000

In accordance with the Companies Act, the interests and deemed interests of the spouses and children of the Directors in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) shall be treated as the interests of the Directors also.

By virtue of their interests in the shares of the Company, Tan Kai Hee and Tan Keng Kang are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Hai-O Enterprise Berhad has an interest.

None of the other Directors holding office at 30 April 2019 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, apart from the issue of the Employees' Share Option Scheme ("ESOS") in the previous financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company increased from 300,263,890 to 300,297,890 by way of issuance of 34,000 new ordinary shares pursuant to the share options exercised under the ESOS at exercise price of RM3.63 per ordinary share for cash.

During the financial year, the Company repurchased 637,400 (2018: 666,100) of its issued share capital from the open market for a total consideration of RM2,472,633 (2018: RM3,248,738). The average price paid for the shares repurchased was RM3.88 (2018: RM4.88) per share and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

At 30 April 2019, the Company held 9,932,388 (2018: 9,294,988) of its own shares.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year, apart from the issue of options pursuant to ESOS in financial year 2018.

The shareholders of the Company had at its Extraordinary General Meeting held on 15 March 2017 approved the establishment of an ESOS of up to 15% of the total number of issued shares in Hai-O (excluding treasury shares) at any one time during the duration of the ESOS for eligible employees and directors of Hai-O and its subsidiaries (excluding subsidiaries which are dormant).

The salient features of the ESOS scheme are, *inter alia*, as follows:

i) Eligible employees are those who must be at least eighteen (18) years of age, employed on a full time basis by any company in the Group and must have been confirmed in service for a continuous period of one (1) year on the date of offer; or serving under an employment contract for a fixed duration of at least one (1) year in the Group and have been continuously in service for at least two (2) years in the group prior to the date of offer.

ii) Any Director of the Group shall be eligible to participate in the ESOS, if as at the date of offer, such Director has been appointed for at least one (1) year prior to the date of offer. An eligible Director who is non-executive Director in the Group shall not sell, transfer or assign the shares obtained through the exercise of the Options granted to him within one (1) year from the date of offer.

iii) The aggregate number of new shares that may be offered under the Options and allotted to an eligible person shall be:

   a) at any one time when an offer is made, not more than ten per centum (10%) of the new shares available under the Scheme be allocated to any eligible person who, either singly or collectively through persons connected with the eligible person, holds twenty per centum (20%) or more in the total number of issued shares in the Company (excluding treasury shares, if any);

   b) at any one time during the ESOS Period, not more than fifty per centum (50%) of the new shares available under the Scheme shall be allocated in aggregate to the Directors and Senior Management of the Group; and

   c) the Directors and Senior Management of the Group do not participate in the deliberation or discussion of their own allocation of Options;

   provided that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

iv) The Scheme shall be in force for a period of five (5) years from the first grant date and may be extended for a period of five (5) years after the expiration of the first five year period.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 30 APRIL 2019

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

v) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer.

vi) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate or as determined by the Board of Directors.

vii) The option granted to eligible person will lapse when they are no longer in employment or in contract of service with the Group.

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

Date of offer	Exercise price	At 1.5.2018	Exercised	Forfeited	At 30.4.2019
3 July 2017	RM3.63	566,000	(34,000)	(31,000)	501,000

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity sum insured and premium paid for Directors and officers of the Group and of the Company are RM3,000,000 and RM18,000 respectively. There are no indemnity and insurance purchased for the auditors of the Group and of the Company.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' report on the audit of the financial statements of Company's subsidiaries did not contain any qualification.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 30 APRIL 2019

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 April 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

During the financial year, the Company acquired additional 5,000 shares of RM2.80 each in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM14,000. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 63.50% to 63.67%.

The Group recognised a decrease in non-controlling interests of RM49,274 and an increase in retained earnings of RM35,274 in respect of the above transactions.

SUBSEQUENT EVENT

Subsequent to the year end, on 10 June 2019, a subsidiary of the Group – Yan Ou Holdings (M) Sdn. Bhd. ("YOH") has acquired the remaining 100,000 shares of RM0.80 each in its subsidiary – Yan Ou Marketing (Intl) Sdn. Bhd. ("YOM") from non-controlling owners for a total cash consideration of RM80,000. The acquisition increased the equity interest in YOM from 90% to 100%.

Pursuant to the acquisition, the Group's effective interest over YOM via YOH increased from 54% to 60%.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 23 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Keng Kang
Director

Hew Von Kin
Director

Kuala Lumpur

Date: 2 August 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 30 APRIL 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Assets					
Property, plant and equipment	3	97,146,523	83,343,586	35,084,228	31,656,464
Investment properties	4	45,658,791	55,949,690	42,511,105	45,860,994
Goodwill	5	84,930	84,930	-	-
Investments in subsidiaries	6	-	-	15,767,488	15,753,488
Investments in associates	7	-	-	-	-
Investment in a joint venture	8	2,187,503	2,166,139	760,000	760,000
Other investments	9	12,425	12,425	-	-
Trade and other receivables	10	1,521,094	1,622,828	-	-
Deferred tax assets	11	1,024,834	1,615,208	329,178	644,169
Total non-current assets		147,636,100	144,794,806	94,451,999	94,675,115
Inventories	12	98,121,733	91,184,218	41,924,392	39,606,953
Other investments	9	41,321,096	57,940,494	6,554,667	9,882,915
Trade and other receivables	10	20,262,851	30,239,138	34,940,578	39,167,352
Prepayments		1,575,588	2,852,166	182,701	502,182
Current tax assets		1,526,033	314,098	956,329	-
Cash and cash equivalents	13	53,792,063	68,674,442	8,223,209	7,794,221
Total current assets		216,599,364	251,204,556	92,781,876	96,953,623
Total assets		364,235,464	395,999,362	187,233,875	191,628,738
Equity					
Share capital		157,256,450	157,092,458	157,256,450	157,092,458
Treasury shares		(24,053,244)	(21,580,611)	(24,053,244)	(21,580,611)
Reserves		177,015,584	172,392,803	36,960,987	22,702,995
Equity attributable to owners of the Company	14	310,218,790	307,904,650	170,164,193	158,214,842
Non-controlling interests		10,455,710	11,018,740	-	-
Total equity		320,674,500	318,923,390	170,164,193	158,214,842
Liabilities					
Loans and borrowings	15	-	-	316,235	518,376
Deferred tax liabilities	11	642,564	399,806	-	-
Total non-current liabilities		642,564	399,806	316,235	518,376
Loans and borrowings	15	289,000	1,405,000	491,141	1,621,490
Trade and other payables	17	38,536,190	66,785,505	16,262,306	30,352,385
Current tax liabilities		840,854	5,237,521	-	921,645
Provisions	18	1,529,250	3,248,140	-	-
Contract Liabilities	19	1,723,106	-	-	-
Total current liabilities		42,918,400	76,676,166	16,753,447	32,895,520
Total liabilities		43,560,964	77,075,972	17,069,682	33,413,896
Total equity and liabilities		364,235,464	395,999,362	187,233,875	191,628,738

The notes on pages 105 to 177 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	20	328,406,809	461,696,489	162,563,162	199,649,819
Cost of sales		(202,513,236)	(300,149,947)	(77,051,396)	(103,663,017)
Gross profit		125,893,573	161,546,542	85,511,766	95,986,802
Other income		7,395,905	13,599,719	3,982,281	3,361,243
Distribution expenses		(40,859,049)	(48,005,499)	(13,264,993)	(17,262,531)
Administrative expenses		(29,088,274)	(31,173,793)	(14,848,700)	(15,000,968)
Other expenses		(1,106,286)	(1,024,324)	(426,597)	(197,501)
Results from operating activities		62,235,869	94,942,645	60,953,757	66,887,045
Finance income	21	1,244,456	1,660,211	201,357	228,309
Finance costs	22	(107,607)	(117,384)	(131,815)	(161,318)
Net finance income		1,136,849	1,542,827	69,542	66,991
Share of profit of equity- accounted joint venture, net of tax		21,364	5,683	-	-
Profit before tax	23	63,394,082	96,491,155	61,023,299	66,954,036
Tax expense	24	(15,946,913)	(23,970,502)	(2,723,135)	(4,879,857)
Profit for the year		47,447,169	72,520,653	58,300,164	62,074,179
Other comprehensive income/(expense), net of tax					
Item that is or may be reclassified subsequent to profit or loss					
Foreign currency translation differences for foreign operations		(247,593)	287,313	-	-
Other comprehensive (expense)/income for the year, net of tax		(247,593)	287,313	-	-
Total comprehensive income for the year		47,199,576	72,807,966	58,300,164	62,074,179
Profit attributable to:					
Owners of the Company		47,742,525	72,254,329	58,300,164	62,074,179
Non-controlling interests		(295,356)	266,324	-	-
Profit for the year		47,447,169	72,520,653	58,300,164	62,074,179
Total comprehensive income attributable to:					
Owners of the Company		47,494,932	72,541,642	58,300,164	62,074,179
Non-controlling interests		(295,356)	266,324	-	-
Total comprehensive income for the year		47,199,576	72,807,966	58,300,164	62,074,179
Basic earnings per ordinary share (sen)	25	16.43	24.88		
Diluted earnings per ordinary share (sen)	25	-	24.86		

The notes on pages 105 to 177 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2019

		Attributable to owners of the Company								
		Non-distributable					Distributable			
Group	Note	Share capital RM	Treasury shares RM	Translation reserve RM	Capital reserve RM	Share option reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 May 2017		149,326,945	(19,686,506)	(342,976)	657,192	-	154,859,850	284,814,505	11,354,430	296,168,935
Foreign currency translation differences for foreign operations		-	-	287,313	-	-	-	287,313	-	287,313
Total other comprehensive income for the year		-	-	287,313	-	-	-	287,313	-	287,313
Profit for the year		-	-	-	-	-	72,254,329	72,254,329	266,324	72,520,653
Total comprehensive income for the year		-	-	287,313	-	-	72,254,329	72,541,642	266,324	72,807,966
Own shares acquired	14.4	-	(3,248,738)	-	-	-	-	(3,248,738)	-	(3,248,738)
Own shares sold	14.4	-	1,354,633	-	-	-	1,984,741	3,339,374	-	3,339,374
Acquisition of additional interests in a subsidiary from non-controlling interests	33.2	-	-	-	-	-	212,714	212,714	(378,814)	(166,100)
Share-based payment transactions		-	-	-	-	2,596,621	-	2,596,621	-	2,596,621
Share option exercised		7,765,513	-	-	-	(1,921,213)	-	5,844,300	-	5,844,300
Dividends to non-controlling interests of a subsidiary		-	-	-	-	-	-	-	(223,200)	(223,200)
Dividends to owners of the Company	26	-	-	-	-	-	(58,195,768)	(58,195,768)	-	(58,195,768)
Total transactions with owners of the Company		7,765,513	(1,894,105)	-	-	675,408	(55,998,313)	(49,451,497)	(602,014)	(50,053,511)
At 30 April 2018		157,092,458	(21,580,611)	(55,663)	657,192	675,408	171,115,866	307,904,650	11,018,740	318,923,390
						Note 14.5				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 30 APRIL 2019

		Attributable to owners of the Company								
		Non-distributable					Distributable			
Group	Note	Share capital RM	Treasury shares RM	Translation reserve RM	Capital reserve RM	Share option reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 May 2018, as previously reported		157,092,458	(21,580,611)	(55,663)	657,192	675,408	171,115,866	307,904,650	11,018,740	318,923,390
Adjustment on initial application of MFRS 9, net of tax		-	-	-	-	-	(423,510)	(423,510)	-	(423,510)
Adjustment on initial application of MFRS 15, net of tax		-	-	-	-	-	1,134,747	1,134,747	-	1,134,747
At 1 May 2018, restated		157,092,458	(21,580,611)	(55,663)	657,192	675,408	171,827,103	308,615,887	11,018,740	319,634,627
Foreign currency translation differences for foreign operations		-	-	(247,593)	-	-	-	(247,593)	-	(247,593)
Total other comprehensive expense for the year		-	-	(247,593)	-	-	-	(247,593)	-	(247,593)
Profit for the year		-	-	-	-	-	47,742,525	47,742,525	(295,356)	47,447,169
Total comprehensive income for the year		-	-	(247,593)	-	-	47,742,525	47,494,932	(295,356)	47,199,576
Own shares acquired	14.4	-	(2,472,633)	-	-	-	-	(2,472,633)	-	(2,472,633)
Acquisition of additional interests in a subsidiary from non-controlling interests	33.1	-	-	-	-	-	35,274	35,274	(49,274)	(14,000)
Share option exercised		163,992	-	-	-	(40,572)	-	123,420	-	123,420
Share option forfeited		-	-	-	-	(36,992)	36,992	-	-	-
Dividends to non-controlling interests of a subsidiary		-	-	-	-	-	-	-	(218,400)	(218,400)
Dividends to owners of the Company	26	-	-	-	-	-	(43,578,090)	(43,578,090)	-	(43,578,090)
Total transactions with owners of the Company		163,992	(2,472,633)	-	-	(77,564)	(43,505,824)	(45,892,029)	(267,674)	(46,159,703)
At 30 April 2019		157,256,450	(24,053,244)	(303,256)	657,192	597,844	176,063,804	310,218,790	10,455,710	320,674,500

Note 14.5

The notes on pages 105 to 177 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2019

		← Non-distributable			→	Distributable	
Company	**Note**	**Share capital RM**	**Treasury shares RM**	**Capital reserve RM**	**Share option reserve RM**	**Retained earnings RM**	**Total equity RM**
At 1 May 2017		149,326,945	(19,686,506)	210	-	16,164,225	145,804,874
Profit and total comprehensive income for the year		-	-	-	-	62,074,179	62,074,179
Own shares acquired	14.4	-	(3,248,738)	-	-	-	(3,248,738)
Own shares sold	14.4	-	1,354,633	-	-	1,984,741	3,339,374
Share-based payment transactions		-	-	-	2,596,621	-	2,596,621
Share option exercised		7,765,513	-	-	(1,921,213)	-	5,844,300
Dividends to owners of the Company	26	-	-	-	-	(58,195,768)	(58,195,768)
Total transactions with owners of the Company		7,765,513	(1,894,105)	-	675,408	(56,211,027)	(49,664,211)
At 30 April 2018/1 May 2018		157,092,458	(21,580,611)	210	675,408	22,027,377	158,214,842
Adjustment on initial application of MFRS 9, net of tax		-	-	-	-	(423,510)	(423,510)
At 1 May 2018, restated		157,092,458	(21,580,611)	210	675,408	21,603,867	157,791,332
Profit and total comprehensive income for the year		-	-	-	-	58,300,164	58,300,164
Own shares acquired	14.4	-	(2,472,633)	-	-	-	(2,472,633)
Share option exercised		163,992	-	-	(40,572)	-	123,420
Share option forfeited		-	-	-	(36,992)	36,992	-
Dividends to owners of the Company	26	-	-	-	-	(43,578,090)	(43,578,090)
Total transactions with owners of the Company		163,992	(2,472,633)	-	(77,564)	(43,541,098)	(45,927,303)
At 30 April 2019		157,256,450	(24,053,244)	210	597,844	36,362,933	170,164,193
					Note 14.5		

The notes on pages 105 to 177 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from operating activities				
Profit before tax	63,394,082	96,491,155	61,023,299	66,954,036
Adjustments for:				
Depreciation of investment properties	749,285	683,711	638,158	638,158
Depreciation of property, plant and equipment	3,888,726	3,357,809	1,234,306	1,111,967
Dividend income	(1,485,710)	(2,164,941)	(51,687,628)	(48,552,887)
Equity settled share-based payment transactions	-	2,596,621	-	1,194,493
Fair value gain on other investments	(37,691)	(109,593)	(9,273)	(9,224)
Finance costs	107,607	117,384	131,815	161,318
Finance income	(1,244,456)	(1,660,211)	(201,357)	(228,309)
Gain on disposal of other investments	(158,869)	(184,487)	(6,395)	(37,180)
Gain on disposal of property, plant and equipment	(1,277,515)	(1,297,033)	(1,281,781)	(1,288,376)
Impairment loss on trade receivables	249,919	-	245,279	-
Property, plant and equipment written off	21,590	82,437	1,752	60,270
Provision for sales campaign	3,807,732	7,600,000	-	-
Reversal of impairment loss on investment properties	-	(177,646)	-	-
Reversal of impairment loss on property, plant and equipment	-	(47,003)	-	-
Reversal of impairment loss on trade receivables	-	(71,335)	-	-
Share of profit of equity-accounted joint venture, net of tax	(21,364)	(5,683)	-	-
Unrealised foreign exchange loss	33,783	369,234	79,055	39,354
Operating profit before working capital changes	68,027,119	105,580,419	10,167,230	20,043,620
Change in inventories	(6,937,515)	(19,477,069)	(2,317,439)	(5,995,635)
Change in trade and other receivables and prepayments	10,547,430	(3,247,140)	4,612,386	(2,443,924)
Change in trade and other payables	(16,584,795)	616,008	(5,178,562)	1,929,863
Cash generated from operations	55,052,239	83,472,218	7,283,615	13,533,924
Sales campaign paid	(5,526,622)	(6,000,300)	-	-
Tax paid	(21,232,385)	(24,794,625)	(4,152,378)	(4,811,252)
Tax refunded	285,401	129,554	-	-
Net cash from operating activities	28,578,633	52,806,847	3,131,237	8,722,672
Cash flows from investing activities				
Accretion of equity interest in a subsidiary	(14,000)	(166,100)	-	-
Acquisition of investment properties	(1,679,252)	(9,770,569)	-	(2,711,731)
Acquisition of other investments	(61,487,553)	(81,868,502)	(4,000,000)	(12,403,575)
Acquisition of property, plant and equipment	(6,616,188)	(12,279,701)	(2,070,310)	(2,373,928)
Dividends received	473,077	242,322	51,467,400	48,367,600
Increase in investments in subsidiaries	-	-	(14,000)	(166,100)
Interest received from fixed deposits and repo	1,244,456	1,660,211	201,357	228,309
Proceeds from disposal of other investments	79,316,144	84,562,718	7,564,144	5,482,764
Proceeds from disposal of property, plant and equipment	1,408,500	2,116,103	1,400,000	2,097,962
Net cash from/(used in) investing activities	12,645,184	(15,503,518)	54,548,591	38,521,301

STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 30 APRIL 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from financing activities				
Dividends paid to non-controlling interests of a subsidiary	(218,400)	(223,200)	-	-
Dividends paid to owners of the Company	(52,306,035)	(49,467,823)	(52,306,035)	(49,467,823)
Net repayment of bankers' acceptances	(1,116,000)	(1,641,377)	(1,116,000)	(1,641,377)
Increase in amount due to a joint venture	-	-	-	2,213
Decrease in amounts due to subsidiaries	-	-	(229,022)	(2,768,791)
Increase in amounts due from subsidiaries	-	-	(868,660)	(4,043,091)
Interest paid on loans and borrowings	(107,607)	(117,384)	(131,815)	(161,318)
Proceeds from issuance of shares	123,420	5,844,300	123,420	5,844,300
Proceeds from sale of treasury shares	-	3,339,374	-	3,339,374
Repayment of hire purchase liabilities due to a subsidiary	-	-	(216,490)	(229,997)
Repurchase of treasury shares	(2,472,633)	(3,248,738)	(2,472,633)	(3,248,738)
Net cash used in financing activities	(56,097,255)	(45,514,848)	(57,217,235)	(52,375,248)
Net (decrease)/increase in cash and cash equivalents	(14,873,438)	(8,211,519)	462,593	(5,131,275)
Effect of exchange rate fluctuations on cash held	(8,941)	37,775	(33,605)	(39,354)
Cash and cash equivalents at 1 May 2018/2017	68,674,442	76,848,186	7,794,221	12,964,850
Cash and cash equivalents at 30 April	53,792,063	68,674,442	8,223,209	7,794,221

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Deposit placed with licensed banks	13	33,783,802	45,178,872	6,198,173	4,175,237
Cash and bank balances	13	20,008,261	23,495,570	2,025,036	3,618,984
		53,792,063	68,674,442	8,223,209	7,794,221

Acquisition of property, plant and equipment

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM2,070,310 (2018: RM2,823,928), of which RM Nil (2018: RM450,000) was acquired by means of hire purchases from a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

Hai-O Enterprise Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Wisma Hai-O
Lot 11995, Batu 2
Jalan Kapar
41400 Klang
Selangor Darul Ehsan

Registered office
Unit 621, 6th Floor, Block A
Kelana Centre Point
No 3 Jalan SS7/19 Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 30 April 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and a joint venture. The financial statements of the Company as at and for the financial year ended 30 April 2019 do not include other entities.

The Company is principally engaged in the wholesaling and retailing of herbal medicines, healthcare products, wellness and beauty products, investment holding activities and property holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 2 August 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019
- 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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020
- 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 May 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019;

- from the annual period beginning on 1 May 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020; and

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company, except as mentioned below:

(i) 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 which continues to be classified as finance or operating lease.

Based on the assessments undertaken to date, the Group and the Company do not expect that the implementation of MFRS 16 will have a material impact on accounting on its financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, except for financial information relating to operating segments (Note 27) which has been rounded to the nearest thousand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 – valuation of investment properties
- Note 11 – recognition of deferred tax assets
- Note 18 – provisions
- Note 28 – measurement of expected credit loss ("ECL").

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments,* there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 34.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(v) Associates (cont'd)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in a joint venture is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 May 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Previous financial year

A financial instrument was recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Current financial year (cont'd)

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument) or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Previous financial year (cont'd)

(c) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, were subject to impairment assessment (see Note 2(k)(i)).

Financial liabilities

Current financial year

Amortised cost

Financial liabilities are measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, all financial liabilities were subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(iii) Derecognition (cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Vintage Pu-Er tea leaves are carried at cost and are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	50 - 99 years
• Buildings	50 years
• Motor vehicles	5 years
• Laboratory, furniture and office equipment	3 - 10 years
• Warehouse and electrical fittings	10 years
• Renovation	10 years
• Plant and machinery	5 years
• Fire fighting and lift systems	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Goodwill

Goodwill which arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted associates and joint venture.

Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include properties which in substance are finance leases held for a currently undetermined future use. Investment properties are initially and subsequently measured at cost and are accounted for similarly to property, plant and equipment.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, the carrying amount of the item immediately prior to transfer is recognised as the deemed cost of the investment property for subsequent accounting.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its carrying amount at the date of reclassification becomes its deemed cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(k)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investments in associates and joint venture) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

Previous financial year (cont'd)

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale was not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (cont'd)

(ii) Other assets (cont'd)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits (cont'd)

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Sales campaign

The Group organises various sales campaign programmes for its eligible distributors and wholesale customers. Under these programmes, eligible distributors and wholesale customers are entitled to overseas trips subject to meeting certain qualifying performance targets. A provision is recognised at the end of each reporting period for eligible distributors and wholesale customers based on the Group's estimated qualifiers and quoted tour fares for the sales campaign programmes.

(ii) Goods return

The Group provides pre-agreed return period on products sold by the Group. A provision is recognised at the end of each reporting period for goods return based on the Group's past experience on the level of goods returned.

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue and other income (cont'd)

(i) Revenue (cont'd)

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(iii) Hire purchase and lease rental income

Revenue from hire purchase and finance lease is recognised upon commencement of the hire purchase agreement or the lease agreement, on the sum-of-digits method over the period of the agreement. Lease rental income from operating leases is recognised on a straight-line basis over the lease term.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(p) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Income tax (cont'd)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Fair value measurements (cont'd)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Motor vehicles RM	Laboratory, furniture and office equipment RM	Warehouse and electrical fittings RM	Renovation RM	Plant and machinery RM	Fire fighting and lift systems RM	Vintage Pu-Er tea leaves RM	Capital work-in-progress RM	Total RM
Cost												
At 1 May 2017	34,376,751	2,671,449	27,884,549	2,965,488	12,817,164	2,202,678	8,928,485	2,362,596	247,449	3,402,561	-	97,859,170
Additions	766,667	2,630,000	1,060,013	701,033	2,453,653	629,597	2,289,853	-	-	1,414,385	334,500	12,279,701
Disposals	-	-	-	(568,150)	(3,142)	(949)	-	-	-	(809,585)	-	(1,381,826)
Written off / reclassification	-	-	-	-	(757,167)	(44,268)	(16,804)	-	-	-	-	(818,239)
Transfer from investment properties (Note 4)	-	1,393,231	227,684	-	-	-	-	-	-	-	-	1,620,915
Effect of movements in exchange rates	-	-	-	(12,645)	(55,932)	(2,601)	(30,111)	-	-	-	-	(101,289)
At 30 April 2018/ 1 May 2018	35,143,418	6,694,680	29,172,246	3,085,726	14,454,576	2,784,457	11,171,423	2,362,596	247,449	4,007,361	334,500	109,458,432
Additions	-	1,021,879	2,909,766	-	1,156,595	655,484	760,978	111,486	-	-	-	6,616,188
Disposals	-	-	-	-	(14,675)	(1,150)	(24,912)	-	-	(118,219)	-	(158,956)
Written off	-	-	-	-	(24,079)	(131,266)	(44,902)	258,508	(3,216)	-	(334,500)	(279,455)
Transfer from investment properties (Note 4)	6,221,043	-	4,999,823	-	-	-	-	-	-	-	-	11,220,866
Effect of movements in exchange rates	-	-	-	2,439	14,787	684	9,684	-	-	-	-	27,594
At 30 April 2019	41,364,461	7,716,559	37,081,835	3,088,165	15,587,204	3,308,209	11,872,271	2,732,590	244,233	3,889,142	-	126,884,669

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Motor vehicles RM	Laboratory, furniture and office equipment RM	Warehouse and electrical fittings RM	Renovation RM	Plant and machinery RM	Fire fighting and lift systems RM	Vintage Pu-Er tea leaves RM	Capital work-in-progress RM	Total RM
Depreciation and impairment loss												
At 1 May 2017	-	193,405	6,462,831	2,214,159	8,631,403	983,942	3,665,964	1,901,003	134,856	-	-	24,187,563
Depreciation for the year	-	70,913	572,431	368,824	1,029,210	199,734	901,161	191,469	24,067	-	-	3,357,809
Disposals	-	-	-	(561,849)	(654)	(253)	-	-	-	-	-	(562,756)
Written off / reclassification	-	-	-	-	(686,352)	(36,884)	(12,566)	-	-	-	-	(735,802)
Reversal of impairment loss	-	-	(47,003)	-	-	-	-	-	-	-	-	(47,003)
Effect of movements in exchange rates	-	-	-	(12,645)	(51,152)	(2,009)	(19,159)	-	-	-	-	(84,965)
At 30 April 2018/ 1 May 2018	-	264,318	6,988,259	2,008,489	8,922,455	1,144,530	4,535,400	2,092,472	158,923	-	-	26,114,846
Depreciation for the year	-	129,062	681,013	347,191	1,176,431	266,168	1,090,044	175,072	23,745	-	-	3,888,726
Disposals	-	-	-	-	(9,510)	(814)	(17,647)	-	-	-	-	(27,971)
Written off	-	-	-	-	(248,557)	(42,611)	(27,690)	61,985	(992)	-	-	(257,865)
Effect of movements in exchange rates	-	-	-	2,439	11,752	487	5,732	-	-	-	-	20,410
At 30 April 2019	-	393,380	7,669,272	2,358,119	9,852,571	1,367,760	5,585,839	2,329,529	181,676	-	-	29,738,146
Carrying amounts												
At 1 May 2017	34,376,751	2,478,044	21,421,718	751,329	4,185,761	1,218,736	5,262,521	461,593	112,593	3,402,561	-	73,671,607
At 30 April 2018/ 1 May 2018	35,143,418	6,430,362	22,183,987	1,077,237	5,532,121	1,639,927	6,636,023	270,124	88,526	4,007,361	334,500	83,343,586
At 30 April 2019	41,364,461	7,323,179	29,412,563	730,046	5,734,633	1,940,449	6,286,432	403,061	62,557	3,889,142	-	97,146,523

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Freehold land RM	Buildings RM	Motor vehicles RM	Furniture and office equipment RM	Electrical fittings RM	Renovation RM	Plant and machinery RM	Vintage Pu-Er tea leaves RM	Total RM
Cost									
At 1 May 2017	17,028,856	9,641,378	2,312,100	3,154,416	74,830	4,361,234	50,500	3,366,561	39,989,875
Additions	-	-	466,244	187,447	10,054	745,798	-	1,414,385	2,823,928
Disposals	-	-	(550,150)	-	-	-	-	(809,585)	(1,359,735)
Written off	-	-	-	(539,704)	(20,000)	-	-	-	(559,704)
At 30 April 2018/1 May 2018	17,028,856	9,641,378	2,228,194	2,802,159	64,884	5,107,032	50,500	3,971,361	40,894,364
Additions	-	1,033,775	-	486,088	383,399	167,048	-	-	2,070,310
Disposals	-	-	-	-	-	-	-	(118,219)	(118,219)
Written off	-	-	-	(9,030)	(5,000)	-	-	-	(14,030)
Transfer from investment properties	-	2,711,731	-	-	-	-	-	-	2,711,731
At 30 April 2019	17,028,856	13,386,884	2,228,194	3,279,217	443,283	5,274,080	50,500	3,853,142	45,544,156
Depreciation									
At 1 May 2017	-	3,273,342	1,731,212	2,388,969	42,159	1,689,334	50,500	-	9,175,516
Depreciation for the year	-	192,828	283,147	179,805	5,866	450,321	-	-	1,111,967
Disposals	-	-	(550,149)	-	-	-	-	-	(550,149)
Written off	-	-	-	(480,964)	(18,470)	-	-	-	(499,434)
At 30 April 2018/1 May 2018	-	3,466,170	1,464,210	2,087,810	29,555	2,139,655	50,500	-	9,237,900
Depreciation for the year	-	259,123	258,596	206,626	26,512	483,449	-	-	1,234,306
Written off	-	-	-	(9,028)	(3,250)	-	-	-	(12,278)
At 30 April 2019	-	3,725,293	1,722,806	2,285,408	52,817	2,623,104	50,500	-	10,459,928
Carrying amounts									
At 1 May 2017	17,028,856	6,368,036	580,888	765,447	32,671	2,671,900	-	3,366,561	30,814,359
At 30 April 2018/1 May 2018	17,028,856	6,175,208	763,984	714,349	35,329	2,967,377	-	3,971,361	31,656,464
At 30 April 2019	17,028,856	9,661,591	505,388	993,809	390,466	2,650,976	-	3,853,142	35,084,228

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

3.1 Leased motor vehicles

At 30 April 2019, the net carrying amount of leased motor vehicles from a subsidiary of the Company was RM503,901 (2018: RM761,235).

3.2 Security

The leased motor vehicles discussed above secure lease obligations (see Note 15).

3.3 Leasehold land

Included in the total carrying amount of leasehold land of the Group are:

	Group	
	2019 RM	2018 RM
Leasehold land with unexpired lease period of less than 50 years	1,046,050	443,300
Leasehold land with unexpired lease period of more than 50 years	6,277,129	5,987,062
	7,323,179	6,430,362

3.4 Transfer from investment properties

During the current financial year, properties have been transferred from investment properties to property, plant and equipment following a change in usage from leasing to a third party to being used in the production and supply of goods of the Group.

4. INVESTMENT PROPERTIES

	Group		Company	
Cost	2019 RM	2018 RM	2019 RM	2018 RM
At 1 May 2018/2017	65,361,347	57,241,001	55,552,755	52,841,024
Additions	1,679,252	9,770,569	-	2,711,731
Offset of accumulated depreciation on properties transferred to property, plant and equipment	(645,359)	(29,308)	-	-
Transfer of carrying amount (Note 3)	(11,220,866)	(1,620,915)	(2,711,731)	-
At 30 April	55,174,374	65,361,347	52,841,024	55,552,755
Depreciation				
At 1 May 2018/2017	9,411,657	8,757,254	9,691,761	9,053,603
Depreciation for the year	749,285	683,711	638,158	638,158
Offset of accumulated depreciation on properties transferred to property, plant and equipment	(645,359)	(29,308)	-	-
At 30 April	9,515,583	9,411,657	10,329,919	9,691,761
Impairment loss				
At 1 May 2018/2017	-	177,646	-	-
Reversal of impairment loss	-	(177,646)	-	-
At 30 April	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT PROPERTIES (CONT'D)

Carrying amounts	Group RM	Company RM
At 1 May 2017	48,306,101	43,787,421
At 30 April 2018/1 May 2018	55,949,690	45,860,994
At 30 April 2019	45,658,791	42,511,105

Included in the above are:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Freehold land	21,152,702	27,373,745	21,636,235	21,636,236
Leasehold land with unexpired period of less than 50 years	613,340	632,853	64,000	65,600
Leasehold land with unexpired period of more than 50 years	150,203	154,459	-	-
Buildings	23,742,546	27,788,633	20,810,870	24,159,158
	45,658,791	55,949,690	42,511,105	45,860,994

Investment properties comprise freehold land, leasehold land and a number of residential and commercial properties that are leased to third parties/subsidiaries or are currently vacant.

The following are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Rental income	3,319,548	2,573,585	4,007,468	3,276,915
Direct operating expenses:				
- income generating investment properties	(592,171)	(927,567)	(493,284)	(827,111)
- non-income generating investment properties	(3,546)	(5,402)	(640)	(640)

Fair value information

Fair value of investment properties is categorised as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Level 3				
Freehold land	35,318,553	52,623,622	59,596,903	59,596,903
Leasehold land	3,397,900	3,397,900	345,000	345,000
Buildings	51,543,173	52,787,932	49,992,076	49,992,076
	90,259,626	108,809,454	109,933,979	109,933,979

Valuation process applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. GOODWILL

	Group 2019 RM	Group 2018 RM
At 1 May/30 April	84,930	84,930

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the subsidiaries acquired which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each subsidiary are as follows:

	Group 2019 RM	Group 2018 RM
Chop Aik Seng Sdn. Bhd.	79,390	79,390
Sri Pangkor Credit & Leasing Sdn. Bhd.	5,540	5,540
	84,930	84,930

During the current and previous financial years, the Group assessed these subsidiaries for impairment based on actual operating results of these subsidiaries. No impairment was required as these subsidiaries were generating profits and the Group expects the profits to be sustainable in future periods. The carrying amounts of goodwill are not significantly higher than the profits generated by these subsidiaries during the financial year.

As the goodwill is not significant, hence the key assumptions used in determining the value in use have not been disclosed.

6. INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost	19,212,660	19,198,660
Equity contribution in subsidiaries	1,976,240	1,976,240
Less: Impairment loss	(5,421,412)	(5,421,412)
	15,767,488	15,753,488

The movements of investments in subsidiaries are as follows:

	Company 2019 RM	Company 2018 RM
At 1 May	15,753,488	14,185,260
Subscription of additional shares	14,000	166,100
Increase in equity contribution in subsidiaries	-	1,402,128
At 30 April	15,767,488	15,753,488

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %
Grand Brands (M) Sdn. Bhd.	Malaysia	General importer, exporter and commission agent	100	100
Hai-O Credit & Leasing Sdn. Bhd. and its subsidiary:	Malaysia	Leasing of machinery, equipment, insurance agent and investment holding	100	100
Sri Pangkor Credit & Leasing Sdn. Bhd.	Malaysia	Licensed money lender and insurance agent	100	100
Hai-O Energy (M) Sdn. Bhd. *	Malaysia	Dormant	100	100
Hai-O I. Sdn. Bhd. *	Malaysia	Dormant	100	100
Hai-O Medicine Sdn. Bhd.	Malaysia	Trading of Chinese herbs and medicine	100	100
Sahajidah Hai-O Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Multi-level direct marketing and investment holding	100	100
PT. Hai-O Indonesia *	Indonesia	Multi-level direct marketing	55	55
Sahajidah Hai-O Marketing (EM) Sdn.Bhd. *	Malaysia	Dormant	100	100
Hai-O (PG) Sdn. Bhd. *	Malaysia	Dormant	95.29	95.29
Hai-O Properties Sdn. Bhd. * and its subsidiary:	Malaysia	Property holding and investment holding	100	100
Hai-O Development Sdn. Bhd. *	Malaysia	Dormant	60	60
Hai-O Raya Bhd. **	Malaysia	Retail chain stores	63.67	63.50
Kinds Resource Sdn. Bhd.	Malaysia	Trading of Chinese herbs	100	100
Samariatan Sdn. Bhd. and its subsidiary:	Malaysia	Investment holding	70.32	70.32
Chop Aik Seng Sdn. Bhd.	Malaysia	Trading of tea and other beverages	70.32	70.32
Sea Gull Advertising Sdn. Bhd. *	Malaysia	Dormant	100	100
SG Global Biotech Sdn. Bhd. and its subsidiary:	Malaysia	Manufacturing of pharmaceutical products and investment holding	100	100
QIS Research Laboratory Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products, research and laboratory services	100	100
Vintage Wine Sdn. Bhd. *	Malaysia	Import and trading of wine	100	100
Yan Ou Holdings (M) Sdn. Bhd. and its subsidiary:	Malaysia	Trading of birds' nests and investment holding	60	60
Yan Ou Marketing (Intl) Sdn. Bhd.	Malaysia	Trading and distribution of birds' nests and its related products and other healthcare products	54	54

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %
Hai-O (Hong Kong) Investment Limited* and its subsidiaries:	Hong Kong	Investment holding	100	100
Hai-O (Guangzhou) Trading Ltd. *, #	China	Trading of medicine, health and related products	100	100
Seagull Technology (Beijing) Co. Ltd. *, #	China	Dormant	100	100

* Not audited by member firms of KPMG International.

** During the financial year, the Company acquired additional 5,000 shares in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM14,000.

\# The statutory financial year end of these subsidiaries was 31 December 2018 and it does not coincide with the Group. However, the Company has consolidated the financial position and results of these subsidiaries based on the audited financial statements made up to the financial year end of the Group. The Company has been granted approval from the Companies Commission of Malaysia pursuant to Section 247(7) of the Companies Act 2016 for these subsidiaries to continue adopting a financial year end that does not coincide with the financial year end of the Group.

6.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

2019	Hai-O Raya Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	36.33%		
Carrying amount of NCI	9,444,403	1,011,307	10,455,710
Profit/(Loss) allocated to NCI	141,230	(436,586)	(295,356)
Summarised financial information before intra-group elimination			
As at 30 April			
Non-current assets	11,240,028		
Current assets	22,373,109		
Non-current liabilities	(743,478)		
Current liabilities	(6,873,505)		
Net assets	25,996,154		
Year ended 30 April			
Revenue	40,570,460		
Profit for the year and total comprehensive income	388,742		
Cash flows from operating activities	(1,942,925)		
Cash flows from investing activities	547,666		
Cash flows from financing activities	(544,984)		
Net decrease in cash and cash equivalents	(1,940,243)		
Dividends paid to NCI	218,400		

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

6.1 Non-controlling interests in subsidiaries (cont'd)

2018	Hai-O Raya Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	36.50%		
Carrying amount of NCI	9,565,705	1,453,035	11,018,740
Profit/(Loss) allocated to NCI	379,351	(113,027)	266,324
Summarised financial information before intra-group elimination			
As at 30 April			
Non-current assets	11,777,309		
Current assets	23,898,836		
Non-current liabilities	(626,757)		
Current liabilities	(8,841,976)		
Net assets	26,207,412		
Year ended 30 April			
Revenue	41,490,481		
Profit for the year and total comprehensive income	1,039,318		
Cash flows from operating activities	2,262,703		
Cash flows from investing activities	(3,319,002)		
Cash flows from financing activities	(753,569)		
Net decrease in cash and cash equivalents	(1,809,868)		
Dividends paid to NCI	223,200		

6.2 Significant restrictions

There are no significant restrictions applying to any assets of the Group other than those disclosed elsewhere in the financial statements.

7. INVESTMENTS IN ASSOCIATES

	Group 2019 RM	Group 2018 RM
Unquoted shares, at cost	15	901,420
Share of post-acquisition reserves	(15)	(901,420)
	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of entity	Principal place of business	Nature of relationship	Effective ownership interest and voting interest 2019 %	2018 %
Yan Ou (Hong Kong) Trading Limited	Hong Kong	Trading of birds' nest and related products. Currently inactive	40	40
Qian Ti Healthcare Technology Ltd.	China	Trading of wellness products	-	49

Unrecognised share of losses

The Group had not recognised losses related to both associates totalling RM4,750 in financial year 2019 (2018: RM106,671) and RM289,779 (2018: RM285,029) cumulatively, since the Group has no obligation in respect of these losses.

During the financial year, the Group had entered into a sale and purchase agreement to dispose of the controlling interest in Qian Ti Healthcare Technology Ltd.. As the Group has not recognised any share of loss of the associate, the disposal of the associates has no financial impact to the Group.

Both of the associates are not material to the Group and hence, no further disclosures are provided.

8. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unquoted shares, at cost	760,000	760,000	760,000	760,000
Share of post-acquisition reserves	1,427,503	1,406,139	-	-
Group's share of net assets	2,187,503	2,166,139	760,000	760,000

Peking Tongrentang (M) Sdn. Bhd. ("PKT"), the only joint arrangement in which the Group participates, is principally engaged in providing traditional Chinese physician services and retail of traditional Chinese medicine in Malaysia.

PKT is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in PKT as a joint venture.

The following table summarises the financial information of PKT, as adjusted for any differences in accounting policies.

	Group	
	2019 RM	2018 RM
Percentage of ownership interest	40%	40%
Percentage of voting interest	40%	40%
Summarised financial information		
As at 30 April		
Non-current assets	6,368,541	6,410,780
Current assets	1,550,230	1,583,871
Non-current liabilities	(2,091,730)	(2,091,730)
Current liabilities	(369,062)	(498,353)
Net assets	5,457,979	5,404,568

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. INVESTMENT IN A JOINT VENTURE (CONT'D)

	Group	
	2019 RM	2018 RM
Year ended 30 April		
Profit for the year and total comprehensive income	53,410	14,204
Included in the total comprehensive income are:		
Revenue	2,801,876	2,892,394
Depreciation	(54,689)	(82,085)
Interest income	14,458	12,974
Interest expense	(106,908)	(100,118)
Tax expense	(45,328)	(41,958)
Group's share of results for the year ended 30 April		
Group's share of profit and total comprehensive income	21,364	5,683

9. OTHER INVESTMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current				
Financial assets at fair value through profit or loss:				
- quoted shares in Malaysia	505	505	-	-
- unquoted shares	11,920	-	-	-
Available-for-sale financial assets:				
- unquoted shares	-	11,920	-	-
	12,425	12,425	-	-
Current				
Financial assets at fair value through profit or loss:				
- unit trusts in Malaysia	41,321,096	57,940,494	6,554,667	9,882,915
	41,333,521	57,952,919	6,554,667	9,882,915

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Non-current					
Trade					
Hire purchase receivables	10.1	325,362	329,154	-	-
Loan receivables	10.2	1,195,732	1,293,674	-	-
		1,521,094	1,622,828	-	-
Current					
Trade					
Trade receivables		14,705,703	22,437,759	8,217,398	12,116,767
Less: Impairment allowance		(807,169)	-	(802,529)	-
		13,898,534	22,437,759	7,414,869	12,116,767
Hire purchase receivables	10.1	151,984	113,193	-	-
Loan receivables	10.2	354,786	451,321	-	-
Amounts due from subsidiaries	10.3	-	-	8,411,932	8,923,725
Amount due from a joint venture	10.3	165,782	259,030	4,127	6,374
		14,571,086	23,261,303	15,830,928	21,046,866
Non-trade					
Amount due from an associate	10.3	26,365	24,971	-	-
Amounts due from subsidiaries	10.3	-	-	19,911,241	19,042,581
Less: Individual impairment allowance		-	-	(1,700,417)	(1,700,417)
		-	-	18,210,824	17,342,164
Other receivables		4,123,632	5,249,668	237,286	42,328
Less: Individual impairment allowance		(27,759)	(27,759)	-	-
		4,095,873	5,221,909	237,286	42,328
Deposits		1,409,012	1,730,955	621,173	735,994
Goods and services tax receivable	10.4	160,515	-	40,367	-
		5,691,765	6,977,835	19,109,650	18,120,486
		20,262,851	30,239,138	34,940,578	39,167,352
		21,783,945	31,861,966	34,940,578	39,167,352

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. TRADE AND OTHER RECEIVABLES (CONT'D)

10.1 Hire purchase receivables

Hire purchase receivables are receivable as follows:

	Group 2019 RM	Group 2018 RM
Less than one year	180,318	140,367
Between one and five years	331,363	365,878
More than five years	29,624	-
	541,305	506,245
Less: Unearned interest charges	(63,959)	(63,898)
	477,346	442,347
Carrying amount:		
Current	151,984	113,193
Non-current	325,362	329,154
	477,346	442,347

The Group's financing tenor for hire purchase receivables ranges from 24 months to 98 months (2018: 36 months to 98 months). The average remaining period of maturity as at the financial year end was 64 months (2018: 68 months). The effective interest rates during the financial year generally ranged from 5.64% to 8.41% (2018: 5.64% to 8.41%).

10.2 Loan receivables

Loan receivables are receivable as follows:

	Group 2019 RM	Group 2018 RM
Less than one year	354,786	451,321
Between one and five years	1,042,817	982,176
More than five years	152,915	311,498
	1,550,518	1,744,995
Carrying amount:		
Current	354,786	451,321
Non-current	1,195,732	1,293,674
	1,550,518	1,744,995

The Group's financing tenor for loan receivables ranges from 12 months to 84 months (2018: 12 months to 84 months). The average remaining period of maturity as at the financial year end was 45 months (2018: 43 months). The effective interest rates during the financial year generally ranged from 5.29% to 15.99% (2018: 5.29% to 15.99 %).

10.3 Related party balances

The trade balances due from subsidiaries and a joint venture are subject to negotiated trade terms.

The non-trade balances due from an associate and subsidiaries are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. TRADE AND OTHER RECEIVABLES (CONT'D)

10.4 Goods and services tax receivable

The net Goods and Services Tax ("GST") of the Group and of the Company amounting to RM160,515 (2018: Nil) and RM40,367 (2018: Nil) is receivable from Royal Malaysian Custom Department ("RMCD") in relation to input tax paid by the Group and the Company.

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2019 RM**	**2018 RM**	**2019 RM**	**2018 RM**	**2019 RM**	**2018 RM**
Property, plant and equipment	-	-	(2,910,318)	(2,110,887)	(2,910,318)	(2,110,887)
Provisions	2,511,621	3,284,338	-	-	2,511,621	3,284,338
Capital allowance carry-forwards	1,539	-	-	-	1,539	-
Reinvestment allowance carry-forwards	51,566	41,550	-	-	51,566	41,550
Tax loss carry-forwards	10,232	-	-	-	10,232	-
Other items	717,630	401	-	-	717,630	401
Tax assets/(liabilities)	3,292,588	3,326,289	(2,910,318)	(2,110,887)	382,270	1,215,402
Set off of tax	(2,267,754)	(1,711,081)	2,267,754	1,711,081	-	-
Net tax assets/(liabilities)	1,024,834	1,615,208	(642,564)	(399,806)	382,270	1,215,402
Company						
Property, plant and equipment	-	-	(1,074,930)	(826,724)	(1,074,930)	(826,724)
Provisions	1,385,135	1,457,609	-	-	1,385,135	1,457,609
Other items	18,973	13,284	-	-	18,973	13,284
Tax assets/(liabilities)	1,404,108	1,470,893	(1,074,930)	(826,724)	329,178	644,169
Set off of tax	(1,074,930)	(826,724)	1,074,930	826,724	-	-
Net tax assets	329,178	644,169	-	-	329,178	644,169

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2019 RM	**2018 RM**
Property, plant and equipment	(58,000)	(37,000)
Capital allowance carry-forwards	227,000	215,000
Tax loss carry-forwards	6,552,000	5,824,000
	6,721,000	6,002,000

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which certain Group entities can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Movement in temporary differences during the year

Group	At 1.5.2017 RM	Recognised in profit or loss (Note 24) RM	At 30.4.2018/ 1.5.2018 RM	Recognised in profit or loss (Note 24) RM	Recognised directly in equity (Note 24) RM	At 30.4.2019 RM
Property, plant and equipment	(1,567,996)	(542,891)	(2,110,887)	(799,431)	-	(2,910,318)
Provisions	2,989,581	294,757	3,284,338	(548,116)	(224,601)	2,511,621
Capital allowance carry-forwards	7,071	(7,071)	-	1,539	-	1,539
Reinvestment allowance carry-forwards	252,946	(211,396)	41,550	10,016	-	51,566
Tax loss carry-forwards	17,027	(17,027)	-	10,232	-	10,232
Other items	(694,373)	694,774	401	717,229	-	717,630
	1,004,256	211,146	1,215,402	(608,531)	(224,601)	382,270
Company						
Property, plant and equipment	(575,075)	(251,649)	(826,724)	(248,206)	-	(1,074,930)
Provisions	1,215,309	242,300	1,457,609	(206,214)	133,740	1,385,135
Other items	(48,225)	61,509	13,284	5,689	-	18,973
	592,009	52,160	644,169	(448,731)	133,740	329,178

12. INVENTORIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At cost:				
Raw materials	1,417,618	1,346,380	-	-
Packaging materials	329,508	376,189	-	-
Finished goods and trading goods	88,583,877	81,609,331	36,387,675	33,629,752
Goods in transit	1,635,300	1,589,947	386,246	760,750
	91,966,303	84,921,847	36,773,921	34,390,502
At net realisable value:				
Finished goods and trading goods	6,155,430	6,262,371	5,150,471	5,216,451
	98,121,733	91,184,218	41,924,392	39,606,953
Recognised in profit or loss:				
Inventories recognised as cost of sales	116,611,499	143,959,910	75,952,151	103,302,915
Inventories written off	1,560,917	346,267	48,657	80,969

The write-off is included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deposits placed with licensed banks	33,783,802	45,178,872	6,198,173	4,175,237
Cash and bank balances	20,008,261	23,495,570	2,025,036	3,618,984
	53,792,063	68,674,442	8,223,209	7,794,221

14. CAPITAL AND RESERVES

14.1 Share capital

	Group and Company			
	Amount 2019 RM	Number of shares 2019	Amount 2018 RM	Number of shares 2018
Issued and fully paid:				
At 1 May	157,092,458	300,263,890	149,326,945	298,653,890
Issue for cash under ESOS	163,992	34,000	7,765,513	1,610,000
At 30 April	157,256,450	300,297,890	157,092,458	300,263,890

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

14.2 Capital reserve

The capital reserve comprises gain arising from disposal of property, plant and equipment and quoted investments in the previous financial years.

14.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

14.4 Treasury shares

The shareholders of the Company, by special resolutions passed in general meetings held in previous financial years, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 637,400 (2018: 666,100) of its issued share capital from the open market for a total consideration of RM2,472,633 (2018: RM3,248,738). The average price paid for the shares repurchased was RM3.88 (2018: RM4.88) per share and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

At 30 April 2019, the Company held 9,932,388 (2018: 9,294,988) of its own shares.

14.5 Share option reserve

The share option comprises the cumulative value of employee services received for the issue of share options. The share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings. Share option is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. LOANS AND BORROWINGS

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-current					
Hire purchase liabilities due to a subsidiary	15.1	-	-	316,235	518,376
Current					
Bankers' acceptances					
- unsecured		289,000	1,405,000	289,000	1,405,000
Hire purchase liabilities due to a subsidiary	15.1	-	-	202,141	216,490
		289,000	1,405,000	491,141	1,621,490
		289,000	1,405,000	807,376	2,139,866

15.1 Hire purchase liabilities due to a subsidiary

Hire purchase liabilities due to a subsidiary are payable by the Company as follows:

	Company 2019 RM	Company 2018 RM
Less than one year	228,891	257,708
Between one and five years	335,015	563,906
	563,906	821,614
Less: Future interest charges	(45,530)	(86,748)
	518,376	734,866
Carrying amount:		
Current	202,141	216,490
Non-current	316,235	518,376
	518,376	734,866

15.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1 May 2018 RM	Net changes from financing cash flows: Drawdown RM	Net changes from financing cash flows: Repayment RM	At 30 April 2019 RM
Bankers' acceptances	1,405,000	6,806,000	(7,922,000)	289,000
Total liabilities from financing activities	1,405,000	6,806,000	(7,922,000)	289,000
Company				
Bankers' acceptances	1,405,000	6,806,000	(7,922,000)	289,000
Hire purchase liabilities due to a subsidiary	734,866	-	(216,490)	518,376
Total liabilities from financing activities	2,139,866	6,806,000	(8,138,490)	807,376

In accordance with the transitional provision of *Disclosure Initiatives* (Amendments to MFRS 107) for the reconciliation of movements of liabilities to cash flows arising from financing activities, comparative information is not required for preceding periods.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. SHARE-BASED PAYMENT ARRANGEMENT

On 3 July 2017, the Group granted share options to eligible Directors and employees to subscribe for the ordinary shares in the Company under the Employee Share Option Scheme approved by the shareholders of the Company on 3 May 2017.

The fair value of share options granted, measured using a black-schole model, with the following inputs:

Grant date	Number of options	Vesting conditions	Options life
3 July 2017	2,189,000	None	5 years

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2019 RM	Number of options 2019
Outstanding at 1 May 2018	-	566,000
Forfeited during the year	3.63	(31,000)
Exercised during the year	3.63	(34,000)
Outstanding at 30 April 2019	-	501,000

	Group and Company 2018
Fair value at grant date (RM)	1.19
Weighted average share price (RM)	4.01
Share price at grant date (RM)	4.19
Weighted volatility (weighted average volatility) (%)	62.92
Expected dividend (%)	4.72
Option life (expected weighted average life) (years)	5

Value of employee services received for the issue of share option

	Group 2018 RM	Company 2018 RM
Share option granted in 2018	2,596,621	1,194,493
Total expenses recognised as share-based payment	2,596,621	1,194,493

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Trade					
Trade payables		14,549,881	21,403,688	9,569,896	14,253,286
Amounts due to subsidiaries	17.1	-	-	1,031,426	428,119
Amounts due to a joint venture	17.1	184	-	-	-
		14,550,065	21,403,688	10,601,322	14,681,405
Non-trade					
Amounts due to subsidiaries	17.1	-	-	2,020,142	2,249,164
Other payables		13,656,251	21,790,854	271,292	746,652
Deposits received		4,264,538	4,594,476	861,285	457,452
Accrued expenses		6,065,336	17,911,046	2,508,265	12,037,509
Goods and services tax payable	17.2	-	1,085,441	-	180,203
		23,986,125	45,381,817	5,660,984	15,670,980
		38,536,190	66,785,505	16,262,306	30,352,385

17.1 Related party balances

The trade balances due to subsidiaries and a joint venture are subject to negotiated trade terms.

The non-trade balances due to subsidiaries are unsecured and repayable on demand.

17.2 Goods and services tax payable

In prior year, the net Goods and Services Tax ("GST") of the Group and of the Company amounting to RM1,085,441 and RM180,203 respectively was payable to Royal Malaysian Custom Department ("RMCD") in relation to output tax received by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. PROVISIONS

Group	Sales campaign RM	Goods return RM	Total RM
At 1 May 2017	1,248,440	400,000	1,648,440
Provisions made during the year	5,600,000	-	5,600,000
Under provision in prior year	2,000,000	-	2,000,000
Provisions used during the year	(6,000,300)	-	(6,000,300)
At 30 April 2018/1 May 2018	2,848,140	400,000	3,248,140
Provisions made during the year	3,691,805	-	3,691,805
Under provision in prior year	115,927	-	115,927
Provisions used during the year	(5,526,622)	-	(5,526,622)
At 30 April 2019	1,129,250	400,000	1,529,250

Sales campaign

The Group organises various sales campaign programmes for its eligible distributors and wholesale customers. Under these programmes, eligible distributors and wholesale customers are entitled to overseas trips subject to meeting certain qualifying performance targets. A provision is recognised at the end of each reporting period for eligible distributors and wholesale customers based on the Group's estimated qualifiers and quoted tour fares for the sales campaign programmes.

Goods return

The Group provides pre-agreed return period on products sold by the Group. A provision is recognised at the end of each reporting period for goods return based on the Group's past experience on the level of goods returned.

19. CONTRACT LIABILITIES

Group	2019 RM	2018 RM
Contract liabilities	1,723,106	-

The contract liabilities primarily relate to the membership fee received from the members of a subsidiary, which revenue is recognised overtime during the membership period. The contract liabilities are expected to be recognised as revenue over a period of 1 to 3 years.

Significant changes to contract liabilities balances during the period are as follows:

Group	2019 RM
At the beginning of year	-
Reclassification from other payable	2,888,014
First time adoption adjustments	(1,493,088)
	1,394,926
Revenue recognised that was included in the contract liability balance at the beginning of the year	(264,206)
Increases due to cash received, excluding amounts recognised as revenue during the year	592,386
At the end of year	1,723,106

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. REVENUE

	2019 RM	2018 RM
Group		
Revenue from contracts with customers		
- Sale of goods	320,129,704	458,865,899
- Services	-	380,384
- MLM membership fee	4,946,829	-
	325,076,533	459,246,283
Other revenue		
- Commissions	45,242	81,993
- Hire purchase and finance lease income	30,227	24,796
- Interest income	231,001	42,229
- Dividend income	65,812	50,906
- Rental income	2,957,994	2,250,282
	3,330,276	2,450,206
Total revenue	328,406,809	461,696,489
Company		
Revenue from contracts with customers		
- Sale of goods - wholesale	107,088,294	148,005,304
Other revenue		
- Dividend income	51,467,400	48,367,600
- Rental income	4,007,468	3,276,915
Total revenue	162,563,162	199,649,819

20. REVENUE (CONT'D)

20.1 Disaggregation of revenue

	Reportable segments									
	Wholesale		Multi-level marketing ("MLM")		Retail		Other non-reportable segments		Total	
Group	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers										
- Sale of goods	58,971,907	63,654,618	219,948,174	352,545,306	40,559,100	41,478,890	650,523	1,187,085	320,129,704	458,865,899
- Services	-	-	-	-	-	-	-	380,384	-	380,384
- MLM membership fee	-	-	4,946,829	-	-	-	-	-	4,946,829	-
	58,971,907	63,654,618	224,895,003	352,545,306	40,559,100	41,478,890	650,523	1,567,469	325,076,533	459,246,283
Other revenue	-	-	-	-	-	-	3,330,276	2,450,206	3,330,276	2,450,206
	58,971,907	63,654,618	224,895,003	352,545,306	40,559,100	41,478,890	3,980,799	4,017,675	328,406,809	461,696,489
Timing and recognition										
At a point in time	58,971,907	63,654,618	219,948,174	352,545,306	40,559,100	41,478,890	3,980,799	4,017,675	323,459,980	461,696,489
Overtime	-	-	4,946,829	-	-	-	-	-	4,946,829	-
	58,971,907	63,654,618	224,895,003	352,545,306	40,559,100	41,478,890	3,980,799	4,017,675	328,406,809	461,696,489

20.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Sale of goods - *Wholesale and retail*	Revenue is recognised when controls of the goods have been transferred to the customers.	Credit period of 90 days from invoice date.	Early payment discounts for certain customers.	The Group allows return for goods sold for one to one exchange.	Not applicable.
Sale of goods - *MLM*	Revenue is recognised when controls of the goods have been transferred to the customers.	Credit period of 90 days from invoice date.	There are two types of performance bonus i.e. group effort related performance bonus and personal effort related performance bonus. Personal effort related performance bonus is a reduction of transaction price, whilst group effort related performance bonus is a consideration paid to or payable to customers for the provision of distinct services.	The Group allows return for goods sold for one to one exchange.	Not applicable.
MLM membership	Revenue is recognised overtime according to the membership period.	No credit period given.	Not applicable.	Not applicable.	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. REVENUE (CONT'D)

20.3 Transaction price allocated to the remaining performance obligations

The Group applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

21. FINANCE INCOME

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Fixed deposits and short term deposit	1,244,456	1,660,211	201,357	228,309

22. FINANCE COSTS

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Bankers' acceptances	70,230	84,386	70,230	84,386
Hire purchase	-	-	41,208	51,925
	70,230	84,386	111,438	136,311
Other finance costs	37,377	32,998	20,377	25,007
	107,607	117,384	131,815	161,318

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. PROFIT BEFORE TAX

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
KPMG Malaysia	339,600	344,100	101,000	101,000
Other auditors	71,199	63,506	-	-
- Non-audit fees				
KPMG Malaysia	55,000	15,000	55,000	15,000
Bad debts written off	20,283	512	13,441	-
Depreciation of investment properties	749,285	683,711	638,158	638,158
Depreciation of property, plant and equipment	3,888,726	3,357,809	1,234,306	1,111,967
Impairment loss on:				
- trade receivables	249,919	-	245,279	-
Inventories written down	1,560,917	346,267	48,657	80,969
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	3,230,461	3,134,334	1,126,947	1,000,856
- Wages, salaries and others	29,489,056	28,346,004	9,931,016	8,176,820
- Share-based payment transactions	-	2,596,621	-	1,194,493
Property, plant and equipment written off	21,590	82,437	1,752	60,270
Provision for sales campaign	3,807,732	5,600,000	-	-
Provision for sales campaign – under provision in prior year	-	2,000,000	-	-
Rental expense on properties	2,533,843	2,546,395	167,310	13,160
Unrealised foreign exchange loss	33,783	369,234	79,055	39,354

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
and after crediting:				
Bad debt recovered	80,000	-	-	-
Dividend income from:				
- shares quoted in Malaysia	-	6,750	-	-
- unquoted shares	4,500	4,500	-	-
- subsidiaries (unquoted shares)	-	-	51,467,400	48,367,600
- unit trusts	1,485,710	2,153,691	220,228	185,287
Fair value gain on other investments	37,691	109,593	9,273	9,224
Gain on disposal of other investments	158,869	184,487	6,395	37,180
Gain on disposal of property, plant and equipment	1,277,515	1,297,033	1,281,781	1,288,376
Management fees receivable from:				
- subsidiaries	-	-	1,083,600	1,111,500
- others	35,700	40,200	-	-
Realised foreign exchange gain	348,052	584,103	292,872	336,817
Rental income from:				
- investment properties	3,319,548	2,573,585	4,007,467	3,276,915
- others	-	46,926	-	-
Reversal of impairment loss on:				
- other receivables	-	71,335	-	-
- property, plant and equipment	-	47,003	-	-
- investment properties	-	177,646	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense				
Current year	15,002,279	23,541,234	2,473,113	4,836,834
Prior year	336,103	640,414	(198,709)	95,183
Total current tax recognised in profit or loss	15,338,382	24,181,648	2,274,404	4,932,017
Deferred tax expense				
Origination and reversal of temporary differences	1,546,043	717,196	351,551	(207,894)
(Over)/Under provision in prior year	(937,512)	(928,342)	97,180	155,734
Total deferred tax recognised in profit or loss (Note 11)	608,531	(211,146)	448,731	(52,160)
Total income tax expense	15,946,913	23,970,502	2,723,135	4,879,857
Reconciliation of tax expense				
Profit before tax	63,394,082	96,491,155	61,023,299	66,954,036
Income tax calculated using Malaysian tax rate of 24%	15,214,580	23,157,877	14,645,592	16,068,969
Effect of reduction in income tax rate #	(34,350)	(574,204)	-	(424,324)
Non-deductible expenses	1,587,190	2,097,639	584,094	634,534
Tax exempt income	(391,658)	(559,202)	(12,405,022)	(11,650,239)
Effect of deferred tax assets not recognised	172,560	136,320	-	-
(Over)/Under provision in prior years	(601,409)	(287,928)	(101,529)	250,917
	15,946,913	23,970,502	2,723,135	4,879,857
Income tax recognised directly in equity				
Deferred tax				
- Adjustments on initial application of MFRS 9	(133,740)	-	(133,740)	-
- Adjustments on initial application of MFRS 15	358,341	-	-	-
	224,601	-	(133,740)	-

The reduction in income tax rate applies in respect of the incremental chargeable income derived from the carrying on of a business as recognised in the Income Tax (Exemption) (No. 2) Order 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 April 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2019 RM	**2018 RM**
Profit attributable to ordinary shareholders	47,742,525	72,254,329

Weighted average number of ordinary shares

	Group	
	2019 RM	**2018 RM**
Issued ordinary shares at 1 May 2018/2017	300,263,890	298,653,890
Effect of treasury shares held	(9,665,620)	(9,090,363)
Effect of ESOS issue	27,603	813,545
Weighted average number of ordinary shares at 30 April	290,625,873	290,377,072
Basic earnings per ordinary share (sen)	16.43	24.88

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 30 April 2018 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2019 RM	**2018 RM**
Weighted average number of ordinary shares at 30 April (basic)	-	290,377,072
Effect of share options on issue	-	305,913
Weighted average number of ordinary shares at 30 April (diluted)	-	290,682,985
Diluted earnings per ordinary share (sen)	-*	24.86

* 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.

26. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM	Date of payment
2019			
Final 2018 ordinary	11	31,963,470	22 November 2018
Interim 2019 ordinary	4	11,614,620	7 March 2019
		43,578,090	
2018			
Final 2017 ordinary	11	31,982,929	22 November 2017
First Interim 2018 ordinary	6	17,484,894	8 March 2018
Second Interim 2018 ordinary	3	8,727,945	13 June 2018
		58,195,768	

After the end of the reporting period, the final dividend recommended by the Directors in respect of the financial year ended 30 April 2019 is 9 sen per ordinary share. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

27. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing systems and strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Managing Director) reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Wholesale*. Includes wholesaling and trading in herbal medicines and healthcare products, herbs and tea.
- *Multi-level Marketing*. Includes operating multi-level direct selling of health food, healthcare products, wellness products and beauty products.
- *Retail*. Includes operating retail chain stores.

The wholesaling and trading of herbal medicines and healthcare products, wellness and beauty products, herbs and tea are managed by a few different segments within the Group. These operating segments are aggregated to form a reportable segment as Wholesale due to the similar nature and economic characteristics of the products. The nature and methods of distribution of the products for these divisions are similar.

Other non-reportable segments comprise operations related to manufacturing, leasing of machinery and equipment, licensed money lender, insurance agent, investment holding and property holding. None of the segments met the qualitative thresholds for reporting segments in 2019 and 2018.

There are varying levels of integration between Wholesale, Multi-level Marketing and Retail reportable segments. This integration includes sales and transfers of inventories and shared distribution services, respectively. Inter-segment pricing is determined on negotiated basis.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the key results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities comprise operating liabilities and include items such as taxation and borrowings.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and investment properties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. OPERATING SEGMENTS (CONT'D)

Group	Wholesale RM'000	Multi-level marketing RM'000	Retail RM'000	Other non-reportable segments RM'000	Total RM'000
2019					
Segment profit	64,514	47,360	922	1,467	114,263
Included in the measure of segment profit are:					
Revenue from external customers	58,972	224,895	40,559	3,981	328,407
Inter-segment revenue	141,926	230	11	7,111	149,278
Depreciation	(1,049)	(1,546)	(732)	(1,311)	(4,638)
Not included in the measure of segment profit but provided to CODM:					
Tax expense	(4,079)	(11,164)	(533)	(171)	(15,947)
Segment assets	166,949	128,017	32,760	36,509	364,235
Included in the measure of segment assets is:					
Additions to non-current assets other than financial instruments and deferred tax assets	2,246	4,029	225	1,796	8,296
Segment liabilities	19,089	20,641	1,866	1,965	43,561
2018					
Segment profit	68,646	70,253	1,512	4,896	145,307
Included in the measure of segment profit are:					
Revenue from external customers	63,654	352,545	41,478	4,019	461,696
Inter-segment revenue	175,082	259	12	15,505	190,858
Depreciation	(659)	(1,151)	(663)	(1,568)	(4,041)
Not included in the measure of segment profit but provided to CODM:					
Tax expense	(5,944)	(16,943)	(473)	(611)	(23,971)
Segment assets	171,420	154,672	34,768	35,139	395,999
Included in the measure of segment assets is:					
Additions to non-current assets other than financial instruments and deferred tax assets	5,593	4,017	7,804	4,636	22,050
Segment liabilities	37,403	36,197	2,143	1,333	77,076

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. OPERATING SEGMENTS (CONT'D)

Reconciliation of operating segments' profit or loss

	Group	
	2019 RM'000	2018 RM'000
Profit or loss		
Total profit or loss for operating segments	114,263	145,307
Elimination of inter-segment profits	(50,869)	(48,815)
Tax expense	(15,947)	(23,971)
Consolidated profit for the year	47,447	72,521

Geographical segments

The Group's reportable segments are managed and operated predominantly in Malaysia (country of domicile). Hence, no further presentation of geographical segments is provided.

Major customers

The Group does not have any customers with revenue equal or more than 10% of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 April 2019 categorised as follows:

(a) Fair value through profit or loss ("FVTPL")
 - Mandatorily required by MFRS 9
(b) Amortised cost ("AC")

2019	Carrying amount RM	FVTPL – Mandatorily required by MFRS 9 RM	AC RM
Financial assets			
Group			
Other investments	41,333,521	41,333,521	-
Trade and other receivables*	21,623,430	-	21,623,430
Cash and cash equivalents	53,792,063	-	53,792,063
	116,749,014	41,333,521	75,415,493
Company			
Other investments	6,554,667	6,554,667	-
Trade and other receivables*	34,900,211	-	34,900,211
Cash and cash equivalents	8,223,209	-	8,223,209
	49,678,087	6,554,667	43,123,420
Financial liabilities			
Group			
Loans and borrowings	(289,000)	-	(289,000)
Trade and other payables	(38,536,190)	-	(38,536,190)
	(38,825,190)	-	(38,825,190)
Company			
Loans and borrowings	(807,376)	-	(807,376)
Trade and other payables	(16,262,306)	-	(16,262,306)
	(17,069,682)	-	(17,069,682)

* Excluded Goods and Services Tax ("GST") receivable.

The table below provides an analysis of financial instruments as at 30 April 2018 categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"):
 - Held for trading ("HFT");
(c) Available-for-sale financial assets ("AFS");
(d) Financial liabilities measured at amortised cost ("FL").

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments as at 30 April 2018 categorised as follows: (cont'd)

2018	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM	AFS RM
Financial assets				
Group				
Other investments	57,952,919	-	57,940,999	11,920
Trade and other receivables	31,861,966	31,861,966	-	-
Cash and cash equivalents	68,674,442	68,674,442	-	-
	158,489,327	100,536,408	57,940,999	11,920
Company				
Other investments	9,882,915	-	9,882,915	-
Trade and other receivables	39,167,352	39,167,352	-	-
Cash and cash equivalents	7,794,221	7,794,221	-	-
	56,844,488	46,961,573	9,882,915	-
Financial liabilities				
Group				
Loans and borrowings	(1,405,000)	(1,405,000)	-	-
Trade and other payables *	(65,700,064)	(65,700,064)	-	-
	(67,105,064)	(67,105,064)	-	-
Company				
Loans and borrowings	(2,139,866)	(2,139,866)	-	-
Trade and other payables *	(30,172,182)	(30,172,182)	-	-
	(32,312,048)	(32,312,048)	-	-

* Excluded Goods and Services Tax ("GST") payable.

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	1,686,770	-	235,896	-
- Held for trading	-	2,457,092	-	231,691
	1,686,770	2,457,092	235,896	231,691
Financial assets at amortised cost	1,273,300	-	24,045	-
Financial liabilities at amortised cost	248,844	336,294	201,952	61,608
Loans and receivables	-	1,559,250	-	302,846
	3,208,914	4,352,636	461,893	596,145

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.3 Financial risk management

The Group and the Company have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

28.4 Credit risk

Credit risk is the risk of a financial loss to the Group and to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, loans and advances to an associate. The Company's exposure to credit risk arises principally from its receivables from customers, loans and advances to subsidiaries.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group and with the Company. The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the current and previous reporting periods by geographic region was predominantly domestic.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 45 to 90 days.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 150 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment losses (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 April 2019.

	Gross carrying amount RM	Loss allowances RM	Net balance RM
Group			
2019			
Not past due	13,999,519	(87,904)	13,911,615
Past due 1 – 30 days	1,793,618	(108,279)	1,685,339
Past due 31 – 60 days	504,387	(42,724)	461,663
Past due more than 60 days	595,699	(562,136)	33,563
	16,893,223	(801,043)	16,092,180
Credit impaired			
Individually impaired	6,126	(6,126)	-
	16,899,349	(807,169)	16,092,180
Company			
2019			
Not past due	13,312,938	(87,904)	13,225,034
Past due 1 – 30 days	1,704,002	(209,095)	1,494,907
Past due 31 – 60 days	401,848	(143,158)	258,690
Past due more than 60 days	1,213,183	(360,886)	852,297
	16,631,971	(801,043)	15,830,928
Credit impaired			
Individually impaired	1,486	(1,486)	-
	16,633,457	(802,529)	15,830,928

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Group RM	Company RM
Balance at 1 May 2018 as per MFRS 139	-	-
Adjustments on initial application of MFRS 9	557,250	557,250
Balance at 1 May 2018 as per MFRS 9	557,250	557,250
Individually impaired	6,126	1,486
Impairment loss	243,793	243,793
Balance at 30 April 2019	807,169	802,529

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment losses (cont'd)

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Comparative information under MFRS 139, *Financial Instruments: Recognition and measurement*

The aging of receivables as at 30 April 2018 was as follows:

2018	Gross RM	Individual impairment RM	Net RM
Group			
Not past due	21,627,072	-	21,627,072
Past due 1 – 30 days	1,842,354	-	1,842,354
Past due 31 – 60 days	317,620	-	317,620
Past due more than 60 days	1,097,085	-	1,097,085
	24,884,131	-	24,884,131
Company			
Not past due	18,128,572	-	18,128,572
Past due 1 – 30 days	1,351,456	-	1,351,456
Past due 31 – 60 days	229,420	-	229,420
Past due more than 60 days	1,337,418	-	1,337,418
	21,046,866	-	21,046,866

No allowance for impairment losses of trade receivables has been made for the remaining past due receivables as the Group and the Company monitor the results and repayments of these customers regularly and are confident of the ability of the customers to repay the balances owing.

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group RM	Company RM
At 1 May 2017	71,335	-
Impairment loss recognised	-	-
Reversal of impairment loss	(71,335)	-
At 30 April 2018	-	-

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (cont'd)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

The Group provides unsecured loans and advances to an associate. The Group monitors the results of the associate regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Impairment losses

As at the end of the reporting period, except for a balance of RM1,700,417 (2018: RM1,700,417) due from a subsidiary which is deemed not recoverable and impaired, there was no indication that the loans and advances to the subsidiaries are not recoverable.

28.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
Group							
2019							
Non-derivative financial liabilities							
Bankers' acceptances – unsecured	289,000	4.27%	289,000	289,000	-	-	-
Trade and other payables	38,536,190	-	38,536,190	38,536,190	-	-	-
	38,825,190		38,825,190	38,825,190	-	-	-
Company							
2019							
Non-derivative financial liabilities							
Bankers' acceptances – unsecured	289,000	4.27%	289,000	289,000	-	-	-
Hire purchase liabilities due to a subsidiary	518,376	3.25% - 4.50%	563,906	228,891	202,116	132,899	-
Trade and other payables	16,262,306	-	16,262,306	16,262,306	-	-	-
	17,069,682		17,115,212	16,780,197	202,116	132,899	-

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
Group							
2018							
Non-derivative financial liabilities							
Bankers' acceptances – unsecured	1,405,000	4.27%	1,405,000	1,405,000	-	-	-
Trade and other payables	66,785,505	-	66,785,505	66,785,505	-	-	-
	68,190,505		68,190,505	68,190,505	-	-	-
Company							
2018							
Non-derivative financial liabilities							
Bankers' acceptances – unsecured	1,405,000	4.27%	1,405,000	1,405,000	-	-	-
Hire purchase liabilities due to a subsidiary	734,866	3.25% - 4.50%	821,614	257,708	228,891	335,015	-
Trade and other payables	30,352,385	-	30,352,385	30,352,385	-	-	-
	32,492,251		32,578,999	32,015,093	228,891	335,015	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

28.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and cash and cash equivalents that are denominated in a currency other than the respective functional currencies of Group entities and of the Company. The currencies giving rise to these risks are primarily Chinese Renminbi ("RMB"), Hong Kong Dollar ("HKD"), U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Taiwan New Dollar ("TWD"), Euro ("EUR"), Pound Sterling ("GBP") and Australian Dollar ("AUD").

Risk management objectives, policies and processes for managing the risk

The Group and the Company hold cash and cash equivalents denominated in foreign currencies for working capital purposes. The Group and the Company did not enter into any forward foreign exchange contracts in the current and previous financial years.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Group entities and the Company) risk, based on carrying amounts as at the end of the reporting period was:

Balances recognised in the statement of financial position	**Trade and other receivables RM**	**Cash and cash equivalents RM**	**Trade and other payables RM**
Group			
2019			
Chinese Renminbi	171,598	3,589,044	(957,928)
U.S. Dollar	412,703	2,675,756	(1,924,646)
Singapore Dollar	836,555	67,913	-
Taiwan New Dollar	-	-	(250)
Pound Sterling	-	-	(168,739)
Net exposure	1,420,856	6,332,713	(3,051,563)
Company			
2019			
Chinese Renminbi	103,946	3,589,044	(151,675)
U.S. Dollar	353,379	662,565	(602,321)
Singapore Dollar	836,555	-	-
Pound Sterling	-	-	(168,739)
Net exposure	1,293,880	4,251,609	(922,735)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.1 Currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

Balances recognised in the statement of financial position	Trade and other receivables RM	Cash and cash equivalents RM	Trade and other payables RM
Group			
2018			
Chinese Renminbi	65,900	3,528,699	(1,085,886)
Hong Kong Dollar	-	-	(6,215)
U.S. Dollar	258,399	5,843,154	(3,151,160)
Singapore Dollar	1,012,791	328,034	-
Taiwan New Dollar	-	-	(250)
Euro	-	-	(86,511)
Pound Sterling	-	-	(260,405)
Australian Dollar	-	-	(46,128)
Net exposure	1,337,090	9,699,887	(4,636,555)
Company			
2018			
Chinese Renminbi	65,900	3,528,699	(849,525)
U.S. Dollar	239,018	1,519,517	(346,337)
Singapore Dollar	1,012,791	278,000	-
Pound Sterling	-	-	(166,932)
Net exposure	1,317,709	5,326,216	(1,362,794)

Currency risk sensitivity analysis

Foreign currency risk mainly arises from transactions of the Group and the Company which are denominated in RMB, USD and SGD. The exposure to currency risk of currencies other than RMB, USD and SGD is not material and hence, sensitivity analysis is not presented.

A 5% (2018: 5%) strengthening of RM against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
RMB	106,503	95,331	134,570	104,313
USD	44,225	112,115	15,718	53,664
SGD	34,370	50,951	31,789	49,050

A 5% (2018: 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.2 Interest rate risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company borrow in their desired currencies at both fixed and floating rates of interest.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed rate instruments				
Financial assets	35,811,666	47,366,211	6,198,173	3,618,984
Financial liabilities	(289,000)	(1,405,000)	(807,376)	(2,139,866)
	35,522,666	45,961,211	5,390,797	1,479,118

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.3 Other price risk

Equity price risk arises from the Group's and the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis which are managed by financial institutions. All buy and sell decisions are approved by the Directors of the Group entities.

Equity price risk sensitivity analysis

As the Group and the Company have minimal equity investments, the Directors are of the view that the effects of equity price fluctuations within a reasonably possible range for the quoted investments will not have a significant impact on the earnings of the Group and of the Company. Hence, sensitivity analysis is not presented.

28.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of non-current trade receivables and hire purchase liabilities due to a subsidiary also reasonably approximate fair values upon discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets and liabilities.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Total fair value RM**	**Carrying amount RM**
2019										
Financial assets										
Quoted shares	505	-	-	505	-	-	-	-	505	505
Unquoted shares	-	-	11,920	11,920	-	-	-	-	11,920	11,920
Unit trusts	-	41,321,096	-	41,321,096	-	-	-	-	41,321,096	41,321,096
	505	41,321,096	11,920	41,333,521	-	-	-	-	41,333,521	41,333,521
Company										
2019										
Financial assets										
Unit trusts	-	6,554,667	-	6,554,667	-	-	-	-	6,554,667	6,554,667
	-	6,554,667	-	6,554,667	-	-	-	-	6,554,667	6,554,667
Group										
2018										
Financial assets										
Quoted shares	505	-	-	505	-	-	-	-	505	505
Unit trusts	-	57,940,494	-	57,940,494	-	-	-	-	57,940,494	57,940,494
	505	57,940,494	-	57,940,999	-	-	-	-	57,940,999	57,940,999
Company										
2018										
Financial assets										
Unit trusts	-	9,882,915	-	9,882,915	-	-	-	-	9,882,915	9,882,915
	-	9,882,915	-	9,882,915	-	-	-	-	9,882,915	9,882,915

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (cont'd)

Level 1 fair value

The fair value of quoted shares is derived from quoted price (unadjusted) by reference to the stock exchange which they are listed on.

Level 2 fair value

The fair value of unit trusts is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018: no transfer in either direction).

Level 3 fair value

The fair value of unquoted shares is derived from the adjusted net asset of the investee companies' financial statements.

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group has a strong cash pool and hence does not rely on any significant loans and borrowings.

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

30. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2019 RM	**2018 RM**
Less than one year	1,877,084	1,599,486
Between one and five years	1,516,306	1,269,993
	3,393,390	2,869,479

The Group leases a number of warehouses and shop houses under operating leases. The leases typically run for a period of 1 to 4 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. OPERATING LEASES (CONT'D)

Leases as lessor

The Group and the Company lease out their investment properties (see Note 4) and also sub-lease their rented properties to third parties under operating leases. The future minimum lease receivables under non-cancellable leases are as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Less than one year	3,170,461	1,553,699	4,020,764	1,229,622
Between one and five years	2,496,316	491,700	5,413,925	513,600
More than five years	-	-	-	-
	5,666,777	2,045,399	9,434,689	1,743,222

31. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Capital expenditure commitments				
Property, plant and equipment				
Approved, contracted but not provided for	535,873	5,663,339	533,806	1,147,769
	535,873	5,663,339	533,806	1,147,769

32. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

The Group has related party relationship with its significant investors, subsidiaries, associates, a joint venture and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 17.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. RELATED PARTIES (CONT'D)

Significant related party transactions (cont'd)

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
A. Subsidiaries				
Sale of goods	-	-	(69,065,428)	(105,148,800)
Purchase of goods	-	-	2,267,853	3,885,658
Dividend income	-	-	(51,467,400)	(48,367,600)
Interest expense on hire purchase	-	-	41,208	51,934
Management fees income	-	-	(1,083,600)	(1,111,500)
Rental income from properties	-	-	(1,306,368)	(1,166,995)
Advertising and promotion expense	-	-	-	8,963,062
Advertising expense	-	-	-	550,651
Purchase of motor vehicles under hire purchase	-	-	-	450,000
B. Joint venture				
Sale of goods	(850,465)	(740,714)	(16,732)	(19,847)
Rental income from properties	(309,385)	(335,784)	(309,385)	(335,784)
C. Key management personnel *				
Directors of the Company:				
- Fees	278,250	240,958	224,250	184,958
- Remuneration	3,987,264	4,960,464	2,745,242	3,253,197
- Share-based payment	-	668,248	-	668,248
	4,265,514	5,869,670	2,969,492	4,106,403
Directors of subsidiaries:				
- Fees	70,000	73,500	-	-
- Remuneration	642,589	784,635	-	-
- Share-based payment	-	62,052	-	-
	712,589	920,187	-	-
Total short term employee benefits	4,978,103	6,789,857	2,969,492	4,106,403

* Excludes Benefit-In-Kind

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. BUSINESS COMBINATIONS

2019

33.1 Acquisition of non-controlling interests

During the financial year, the Company acquired additional 5,000 shares at RM2.80 each in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM14,000. The acquisition increased the equity interest of the Company in Hai-O Raya Bhd. from 63.50% to 63.67%.

The Group recognised a decrease in non-controlling interests of RM49,274 and an increase in retained earnings of RM35,274 in respect of the above transactions.

2018

33.2 Acquisition of non-controlling interests

i) During the previous financial year, the Company acquired additional 23,000 shares of RM2.70 each and 20,000 shares of RM2.80 each in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM62,100 and RM56,000 respectively. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 62.07% to 63.50%.

The Group recognised a decrease in non-controlling interests of RM363,860 and an increase in retained earnings of RM245,760 in respect of the above transactions.

ii) During the previous financial year, the Company acquired additional 8,000 shares of RM6.00 each in Samariatan Sdn. Bhd. for a total cash consideration of RM48,000. These acquisitions increased the equity interest of the Company in Samariatan Sdn. Bhd. from 66.40% to 70.32%.

The Group recognised a decrease in non-controlling interests of RM14,954 and a decrease in retained earnings of RM33,046 in respect of the above transactions.

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements.

(a) Accounting for revenue

The Group and the Company has adopted MFRS 15 using the cumulative effect method. The cumulative effect of applying the new standard is recognised at the beginning of the year of initial application, with no restatement of comparative period.

The impact of adoption of the new standard on the Group's and the Company's financial statements are presented in Note 34.1 – Impacts on financial statements as of 1 May 2018 and Note 34.2 – Impacts on financial statements as of 30 April 2019.

(b) Accounting for financial instruments

As permitted by MFRS 9, the Group and the Company have elected not to restate the comparative information. The adoption of MFRS 9 has no significant effect on the classification and measurement of financial assets and financial liabilities of the Company except for the effect of applying the expected credit loss model in estimating impairment which resulted in the increase in the allowance for impairment of receivables and decrease in retained earnings as disclosed in Note 34.1 – Impacts on financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

34.1 Impact on financial statements as of 1 May 2018

The following table summarises the impacts arising from the adoption of MFRS 15 and MFRS 9 on the Group's financial statements.

Statement of financial position as at 1 May 2018

Group 1 May 2018	As previously reported RM	MFRS 15 adjustments RM	MFRS 9 adjustments RM	Balances with adoption of MFRS 15 and 9 RM
Trade and other receivables	30,239,138	-	(557,250)	29,681,888
Deferred tax asset	1,615,208	-	133,740	1,748,948
Others	364,145,016	-	-	364,145,016
Total assets	395,999,362	-	(423,510)	395,575,852
Deferred tax liabilities	(399,806)	(358,341)	-	(758,147)
Trade and other payables	(66,785,505)	4,168,554	-	(62,616,951)
Contract liabilities	-	(2,675,466)	-	(2,675,466)
Others	(9,890,661)	-	-	(9,890,661)
Total liabilities	(77,075,972)	1,134,747	-	(75,941,225)
Retained earnings	(171,115,866)	(1,134,747)	423,510	(171,827,103)
Others	(147,807,524)	-	-	(147,807,524)
Total equity	(318,923,390)	(1,134,747)	423,510	(319,634,627)
Total equity and liabilities	(395,999,362)	-	423,510	(395,575,852)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

34.1 Impact on financial statements as of 1 May 2018 (cont'd)

The following table summarises the impacts arising from the adoption of MFRS 15 and MFRS 9 on the Company's financial statements.

Statement of financial position as at 1 May 2018

Company 1 May 2018	As previously reported RM	MFRS 15 adjustments RM	MFRS 9 adjustments RM	Balances with adoption of MFRS 15 and 9 RM
Trade and other receivables	39,167,352	-	(557,250)	38,610,102
Deferred tax asset	644,169	-	133,740	777,909
Others	151,817,217	-	-	151,817,217
Total assets	191,628,738	-	(423,510)	191,205,228
Trade and other payables	(30,352,385)	-	-	(30,352,385)
Others	(3,061,511)	-	-	(3,061,511)
Total liabilities	(33,413,896)	-	-	(33,413,896)
Retained earnings	(22,027,377)	-	423,510	(21,603,867)
Others	(136,187,465)	-	-	(136,187,465)
Total equity	(158,214,842)	-	423,510	(157,791,332)
Total equity and liabilities	(191,628,738)	-	423,510	(191,205,228)

34.2 Impact on financial statements as of 30 April 2019

Statement of financial position as at 30 April 2019

Group 30 April 2019	As reported RM	MFRS 15 adjustments RM	Balances without adoption of MFRS 15 RM
Trade and other receivables	20,262,851	-	20,262,851
Deferred tax assets	1,024,834	-	1,024,834
Others	342,947,779	-	342,947,779
Total assets	364,235,464	-	364,235,464
Deferred tax liabilities	(642,564)	(437,104)	(1,079,668)
Trade and other payables	(38,536,190)	98,162	(38,438,028)
Contract liabilities	(1,723,106)	1,723,106	-
Others	(2,659,104)	-	(2,659,104)
Total liabilities	(43,560,964)	1,384,164	(42,176,800)
Retained earnings	(176,027,812)	(1,384,164)	(177,411,976)
Others	(144,646,688)	-	(144,646,688)
Total equity	(320,674,500)	(1,384,164)	(322,058,664)
Total equity and liabilities	(364,235,464)	-	(364,235,464)

The adoption of MFRS 15 has no impact to the statement of financial position of the Company as at 30 April 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

34.2 Impact on financial statements as of 30 April 2019 (cont'd)

Statement of profit or loss and other comprehensive income as of 30 April 2019

Group	As reported RM	MFRS 15 adjustments RM	Amounts without adoption of MFRS 15 RM
Revenue	328,406,809	10,678,853	339,085,662
Cost of Sales	(202,513,236)	(13,038,766)	(215,552,002)
Gross Profit	125,893,573	(2,359,913)	123,533,660
Other income	7,395,905	5,509,992	12,905,897
Distribution expenses	(40,859,049)	(2,821,899)	(43,680,948)
Administrative expenses	(29,088,274)	-	(29,088,274)
Other expenses	(1,106,286)	-	(1,106,286)
Result from operating activities	62,235,869	328,180	62,564,049
Finance income	1,244,456	-	1,244,456
Finance costs	(107,607)	-	(107,607)
Share of profit of equity-accounted joint venture, net of tax	21,364	-	21,364
Profit before tax	63,394,082	328,180	63,722,262
Tax expense	(15,946,913)	(78,763)	(16,025,676)
Profit for the year	47,447,169	249,417	47,696,586

Company	As reported RM	MFRS 15 adjustments RM	Amounts without adoption of MFRS 15 RM
Revenue	162,563,162	891,222	163,454,384
Cost of Sales	(77,051,396)	-	(77,051,396)
Gross Profit	85,511,766	891,222	86,402,988
Other income	3,982,281	-	3,982,281
Distribution expenses	(13,264,993)	(891,222)	(14,156,215)
Administrative expenses	(14,848,700)	-	(14,848,700)
Other expenses	(426,597)	-	(426,597)
Result from operating activities	60,953,757	-	60,953,757
Finance income	201,357	-	201,357
Finance costs	(131,815)	-	(131,815)
Profit before tax	61,023,299	-	61,023,299
Tax expense	(2,723,135)	-	(2,723,135)
Profit for the year	58,300,164	-	58,300,164

The adoption of MFRS 15 has no impact to the consolidated statement of cash flows of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

34.3 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

(i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 May 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement.*

(ii) The determination of the business model within which a financial asset is held has been made based on the facts and circumstances that existed at the date of initial application.

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. An increase of RM423,510 in allowance for impairment was recognised in opening retained earnings of the Group and of the Company at 1 May 2018 respectively on transition to MFRS 9.

(ii) Reclassification from FVTPL held for trading to mandatorily recognition FVTPL

These are equity investments which are not held for strategic purposes. As a result, the carrying amount of RM57,940,999 and RM9,882,915 of the Group and of the Company were reclassified from held-for-trading to fair value through profit or loss.

(iii) Reclassification from available-for-sale to mandatorily recognition FVTPL

These are equity investments which are not held for strategic purposes. As a result, the carrying amount of RM11,920 of the Group was reclassified from available-for-sale to fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

34.3 Accounting for financial instruments (cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (cont'd)

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 May 2018:

		1 May 2018		
		Reclassification to new MFRS 9 category		
Category under MFRS 139 Group	**30 April 2018 RM**	**Remeasurement RM**	**Fair value through profit or loss ("FVTPL") RM**	**Amortised cost ("AC") RM**
Financial assets				
Loans and receivables				
Trade and other receivables	31,861,966	(557,250)	-	31,304,716
Cash and cash equivalents	68,674,442	-	-	68,674,442
	100,536,408	(557,250)	-	99,979,158
Fair value through profit or loss– held-for-trading: Other investments	57,940,999	-	57,940,999	-
Available-for-sale: Other investments	11,920	-	11,920	-
Other financial liabilities measured at amortised cost				
Loans and borrowings	(1,405,000)	-	-	(1,405,000)
Trade and other payables*	(65,700,064)	-	-	(65,700,064)
	(67,105,064)	-	-	(67,105,064)

* Excluded Goods and Services Tax ("GST") payable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

34.3 Accounting for financial instruments (cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (cont'd)

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 May 2018:

		1 May 2018		
		Reclassification to new MFRS 9 category		
Category under MFRS 139 Company	**30 April 2018 RM**	**Remeasurement RM**	**Fair value through profit or loss ("FVTPL") RM**	**Amortised cost ("AC") RM**
Financial assets				
Loans and receivables				
Trade and other receivables	39,167,352	(557,250)	-	38,610,102
Cash and cash equivalents	7,794,221	-	-	7,794,221
	46,961,573	(557,250)	-	46,404,323
Fair value through profit or loss – held-for-trading: Other investments	9,882,915	-	9,882,915	-
Other financial liabilities measured at amortised cost				
Loans and borrowings	(2,139,866)	-	-	(2,139,866)
Trade and other payables*	(30,172,182)	-	-	(30,172,182)
	(32,312,048)	-	-	(32,312,048)

* Excluded Goods and Services Tax ("GST") payable.

34.4 Accounting for revenue

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted.

For completed contracts, the Group and the Company do not restate contracts that:

(i) begin and end within the same annual reporting period; or

(ii) are completed contracts at the beginning of the earliest period presented.

The application of this practical expedient is not expected to have material impact to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

34.4 Accounting for revenue (cont'd)

The following are the changes in revenue recognition from the adoption of MFRS 15:

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Sale of goods - wholesale and retail	The Group previously recognised revenue when the goods were delivered to the customer's premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at the point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.	Under MFRS 15, revenue is recognised when controls of the goods have been transferred to the customers.
Sale of goods - MLM	The Group previously recognised revenue when the goods were delivered to the customer's premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. The Group recognised the performance bonus awarded to its customers in its cost of sales.	Under MFRS 15, revenue is recognised when controls of the goods have been transferred to the customers. The Group is required to determine whether the consideration paid or payable to its customers is a payment for a distinct goods or services, a reduction of the transaction price or a combination of both. The performance bonus awarded by the Group is categorised into two types, i.e. group effort related performance bonus and personal effort related performance bonus. The Group has evaluated and concluded that personal effort related performance bonus is a reduction of transaction price, whilst group effort related performance bonus is a consideration paid to or payable to customers for the provision of distinct services.
MLM membership fee	The Group previously recognised the membership fee as other income according to membership period and deferred revenue over a period of time.	Under MFRS 15, the Group has concluded that the registration of membership and yearly renewal fees are revenue which the performance obligation is satisfied over time. The membership fee collected with unsatisfied performance obligation is included in contract liabilities.

FINANCIAL STATEMENT

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 98 to 177 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 April 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Keng Kang
Director

Hew Von Kin
Director

Kuala Lumpur

Date: 2 August 2019

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Tan Keng Kang**, the Director primarily responsible for the financial management of Hai-O Enterprise Berhad, do solemnly and sincerely declare that the financial statements set out on pages 98 to 177 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Tan Keng Kang, NRIC: 760601-14-5689, at Kuala Lumpur in the Federal Territory on 2 August 2019.

Tan Keng Kang

Before me:
Samugam Vassoo (W632)
Commissioner for Oaths
Kuala Lumpur

FINANCIAL STATEMENT

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF HAI-O ENTERPRISE BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Hai-O Enterprise Berhad, which comprise the statements of financial position as at 30 April 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 98 to 177.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 April 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition in the Appropriate Accounting Period
Refer to Note 2(o)(i) – Significant accounting policy: Revenue and other income; Note 20 – Revenue and Note 27 – Operating segments.

The key audit matter
The Group's multi-level marketing segment is engaged in the business of direct selling of health food and beverages, healthcare products, wellness and beauty products. This segment is the largest revenue contributor on the statement of profit or loss and other comprehensive income, at RM224,895,000 for the financial year ended 30 April 2019.

The sales volume tends to be high towards the end of incentive trip promotion period should the promotion period ended coincide with the financial year. Revenue is being recognised when goods sold to members are being recorded in the system by the stockists. There is a risk that goods ordered by members were not delivered to them as at the end of the financial year, thereby causing revenue to be overstated.

How the matter was addressed in our audit
We performed the following audit procedures, among others:

- We tested the configurations of the IT application controls relating to the Group's system. We assessed the relevant reports generated by the system that evidences whether goods ordered by members were delivered as at the end of the financial year.

- Based on the reports, we evaluated whether sales are recognised in the correct accounting period by testing selected samples of sales to acknowledged tax invoices.

- We sent confirmations to stockists and branches on a sampling basis to evaluate the balance of goods held by them.

FINANCIAL STATEMENT

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBER OF HAI-O ENTERPRISE BERHAD

VALUATION OF INVENTORIES

Refer to Note 2(h) – Significant accounting policy: Inventories and Note 12 – Inventories.

The key audit matter
The Group and the Company hold a large amount of inventories to cater for their Retail, Wholesale and Multi-level Marketing business. Inventories represented one of the largest category of assets on the statements of financial position, at RM98,121,733 and RM41,924,392 respectively, as at 30 April 2019.

Assessing net realisable value is an area of significant judgement, in particular with regards to the estimation of allowances for slow moving and obsolete inventories.

How the matter was addressed in our audit
We performed the following audit procedures, among others:

- We obtained the stock movement reports prepared by management and tested the accuracy of the data compiled by management.

- Based on the stock movement reports, for inventories with substantial movement during the financial year, we evaluated whether these inventories are stated at the lower of cost and net realisable value by comparing the cost of these inventories to their selling prices in the sales invoices.

- For inventories with no/minimal movements for the financial year, we assessed and challenged the management on the sufficiency of allowance made for stocks.

- For inventories which have expired, we tested whether these inventories have been written off.

Adoption of MFRS 15, *Revenue from Contracts with Customers*
Refer to Note 2(o)(i) – Significant accounting policy: Revenue and other income and Note 20 – Revenue.

The key audit matter
MFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Group and the Company will need to ensure that their sales contracts are accounted for in accordance with MFRS 15 when these entities start to generate revenue. There may be judgment involved in the following areas of revenue accounting:

(a) determining the number of performance obligations in a single sales contract;
(b) estimating variable consideration from sales contracts; and
(c) determining timing of revenue recognition.

The new revenue standard also requires disclosure of unfulfilled performance obligations from sales contracts that are not yet completed as at reporting date.

How the matter was addressed in our audit
We performed the following audit procedures, among others:

- We evaluated the appropriateness of the accounting policies based on the requirements of MFRS 15, our business understanding and industry practice.

- We obtained understanding of management's new or revised processes, systems and controls implemented.

- We identified and tested relevant controls.

- We evaluated the reasonableness of management's key judgments and estimates made in adopting MFRS 15, including variable consideration calculations.

- We assessed the appropriateness of management's revenue recognition under MFRS 15 across significant revenue streams for a sample of contract.

- We assessed the completeness, accuracy and relevance of disclosures required by MFRS 15.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with the approved standards on auditing in Malaysia and International Standards on Auditing.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

FINANCIAL STATEMENT

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBER OF HAI-O ENTERPRISE BERHAD

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

LAM SHUH SIANG
Approval Number: 03045/02/2021 J
Chartered Accountant

Petaling Jaya

Date: 2 August 2019

ANALYSIS OF SHAREHOLDINGS

AS AT 8 AUGUST 2019

Number of Shares Issued : 300,297,890 ordinary shares
Issued Share Capital : RM157,256,450.00
Class of Shares : Ordinary shares
Voting Rights : One vote per share

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	No. of Shares	% of Shares
Less than 100	1,013	25,840	0.01
100 - 1,000	2,080	1,234,977	0.42
1,001 - 10,000	6,307	27,143,716	9.35
10,001 - 100,000	2,083	56,248,818	19.37
100,001 – 14,518,275 (Less than 5% of issued shares*)	228	137,225,660	47.26
14,518,276 and above (5% and above of issued shares*)	3	68,486,491	23.59
Total Shares Issued Excludes Treasury Shares	**11,714**	**290,365,502**	**100.00**

Note:
* Excluding a total of 9,932,388 Hai-O Enterprise Berhad's (Hai-O) shares bought back by Hai-O and retained as treasury shares as at 8 August 2019.

THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares	% of Shares
1	Tan Kai Hee	29,560,899	10.18
2	Akintan Sdn Bhd	23,376,913	8.05
3	Excellant Communication Sdn Bhd	15,548,679	5.35
4	Tan Keng Kang	12,388,320	4.27
5	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chia Kee Siong	9,743,072	3.36
6	Atlantis Marque Sdn Bhd	8,951,332	3.08
7	Daritan Sdn Bhd	4,861,710	1.67
8	Key Development Sdn Berhad	3,750,000	1.29
9	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	3,538,700	1.22
10	Chen Tam Chai	3,481,310	1.20
11	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Chong Soon (E-KPG)	3,000,000	1.03
12	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 1)	2,852,800	0.98
13	Tan Puah Khin @ Tan Puan Hee	2,730,021	0.94
14	Chin Chin Sing @ Tan Cheng Beng	2,528,143	0.87
15	Ong Geck Eng	2,193,146	0.76
16	Chong Foong Foong	2,022,921	0.70
17	Oon Teik Chye	1,999,350	0.69
18	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Yoke Fong	1,875,603	0.65

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 8 AUGUST 2019

THIRTY LARGEST SHAREHOLDERS (CONT'D)

Name		No. of Shares	% of Shares
19	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,837,600	0.63
20	Tan Keng Song	1,715,320	0.59
21	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	1,694,100	0.58
22	Huang, Chin-Chueh	1,603,727	0.55
23	Kong Chew Fa	1,555,900	0.54
24	Milo McConaghy	1,536,000	0.53
25	Amy McConaghy	1,533,678	0.53
26	Citigroup Nominees (Asing) Sdn Bhd CBNY For DFA Emerging Markets Small Cap Series	1,347,620	0.46
27	Teoh Jun Seong	1,300,000	0.45
28	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	1,280,000	0.44
29	Soh Choo @ Soh Ai Choo	1,265,432	0.44
30	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Nomura)	1,214,900	0.42
	Total	**152,287,196**	**52.45**

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 8 AUGUST 2019

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(According to the Register of Substantial Shareholders as at 8 August 2019)

		Direct Holdings		Indirect Holdings		
Name		No. of Shares	% of Shares	No. of Shares		% of Shares
1	Tan Kai Hee	29,560,899	10.18	43,188,006	(note a)	14.87
2	Akintan Sdn Bhd	23,376,913	8.05	-		-
3	Excellant Communication Sdn Bhd	15,548,679	5.35	-		-
4	Tan Keng Kang	12,388,320	4.27	60,360,585	(note b)	20.78
5	Tan Keng Song	1,715,320	0.59	71,768,578	(note c)	24.72
6	Phan Van Denh	845,743	0.29	71,903,162	(note d)	24.76

DIRECTORS' SHAREHOLDINGS

(According to the Register of Directors' Shareholdings as at 8 August 2019)

		Direct Holdings		Indirect Holdings		
Name		No. of Shares	% of Shares	No. of Shares		% of Shares
1	Tan Kai Hee	29,560,899	10.18	43,188,006	(note a)	14.87
2	Tan Keng Kang	12,388,320	4.27	60,360,585	(note b)	20.78
3	Hew Von Kin	401,152	0.14	-		-
4	Chia Kuo Wui	1,381,301	0.48	-		-
5	Chow Kee Kan @ Chow Tuck Kwan	20,000	0.01	-		-
6	Tan Kim Siong	52,000	0.02	7,500	(note e)	0.003
7	Soon Eng Sing	50,000	0.02	-		-
8	Tan Beng Ling	-	-	-		-
9	Professor Hajjah Ruhanas Binti Harun	-	-	-		-
10	Ng Chek Yong	-	-	-		-

a) Deemed interested by virtue of his substantial interest in Akintan Sdn Bhd and Daritan Sdn Bhd and through the direct and indirect interest of his family members in Hai-O respectively.
b) Deemed interested through the direct and indirect interest of his family members in Hai-O.
c) Deemed interested through the direct and indirect interest of her family members in Hai-O.
d) Deemed interested through the direct and indirect interest of her spouse.
e) Deemed interested through the direct and indirect interest of his spouse.

IN THE SUBSIDIARIES

By virtue of their interests in shares in the Company. Tan Kai Hee and Tan Keng Kang are also deemed to be interested in the ordinary shares of the subsidiaries to the extent the Company has an interest.

INTERESTS IN SUBSIDIARY COMPANY, HAI-O RAYA BHD

(According to the Register of Directors' Shareholdings as at 8 August 2019)

		Direct Holdings		Indirect Holdings		
Name		No. of Shares	% of Shares	No. of Shares		% of Shares
1	Tan Kai Hee	34,000	1.13	77,000	(note f)	2.57
2	Tan Keng Kang	16,000	0.53	95,000	(note g)	3.17
3	Hew Von Kin	3,000	0.10	-		-

f) Deemed interested by virtue of his interest in Daritan Sdn Bhd and through the direct and indirect interest of his family members in Hai-O Raya Bhd respectively.
g) Deemed interested through the direct and indirect interest of his family members in Hai-O Raya Bhd.

TOP 10 PROPERTIES

AS AT 30 APRIL 2019

No.	Location	Description	Date of Acquisition	Land/ Floor Area (sq. ft)	Tenure	Existing Use	Age (year)	Date of Expiry	Net book value as at 30/04/2019 (RM)
1	Lot 3202, 3203, 3204, 3205, 3206, 6724 and 44128, 3 1/4 mile, Jalan Kapar, 41400 Klang, Selangor	Industrial premises comprises of 8 buildings and some miscellaneous structures and other land improvements	21 Dec 2007	1,216,220	Freehold	Office, warehouse & a portion being left as vacant land	Range from 15 to 50	-	43,066,578
2	Geran 7155/M1 Sun Kompleks, Jalan Bukit Bintang 55100 Kuala Lumpur	Shoplots, Office lots at Ground, 1st, 6th, 8th & 9th floor, 4 units of apartments & 284 number of car park bays (2nd - 6th floor)	22 Aug 1995, 29 Dec 1997, 01 May 1999 & 05 Feb 2001	86,721	Freehold	Shoplots, Offices Residential & Car park	41	-	15,839,310
3	GM 18673, Lot 17874, No. 1388, Mukim Kapar, Jalan Kapar, Batu 2, 41400 Klang, Selangor	2 single storey detached buildings	14 Sept 2010	118,422	Freehold	Office & Warehouse	9	-	13,337,844
4	Geran 60815 - Lot 4093, Geran 74962 - Lot 1802, Geran 17405 - Lot 1791, Geran 74980 - Lot 4114, Mukim Setul, Daerah Seremban, Negeri Sembilan	Land	03 June 2014	1,145,268	Freehold	Orchard farm	5	-	9,101,916
5	HS(M) 9019 Lot P.T. 11995, Mukim of Kapar, 1 1/2 Miles, 41400 Klang, Selangor	Factory/ Warehouse & 6 storey building	05 June 1982 & 20 Sept 1997	100,804	Freehold	Office & Warehouse	36 & 22	-	8,919,877
6	Geran 21337 - Lot 113, Geran 21338 - Lot 114, Geran 20431 - Lot 204, Geran 20432, Lot 205, Daerah Melaka Tengah, Kawasan Bandar XX, No. 53A & 53B, Jalan Bendahara, No. 48A, Jalan Bunga Raya, No. 41A & 41B, Jalan Bendahara, 75100 Melaka	5 contiguous units of 5 storey terraced shop houses/ office and a single storey warehouse	10 August 2017	14,689	Freehold	Shoplot, warehouse & a portion is vacant	Range from 31 to 41	-	6,172,261
7	PN 10263, Lot 39828, Mukim Kuala Lumpur, No. 19, 19-M, 19-1 & 19-2, Jalan 2/90, Taman Pertama, 56100 Cheras, Kuala Lumpur	3 storey shop office (with mezzanine floor)	15 May 2017	1,539	Leasehold for 99 years	Shop	41	29 Sept 2077	3,115,870
8	Geran 502799 Lot 198459, Geran 502800 Lot 198460, Mukim Plentong, No. 103 & 105, Jalan Tanjong 1, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor.	2 units of 3 storey shop office	22 Jun 2016	9,900	Freehold	Shop	6	-	2,799,543
9	Garden City Business Centre PT 15752, Unit No. C01/2 - C12/2 Phase 2B Taman Dagang Jalan Ampang, 68000 Kuala Lumpur	12 units of office lots (2nd floor)	20 Oct 1995	18,708	Leasehold for 99 years	Offices	24	20 Oct 2084	2,458,632
10	Master title no. NT213206501, Unit no.5, Ground, First & Second Floor I-Plaza Commercial Centre, 89500 Penampang, Sabah	1 unit 3 storey shop office	28 Sep 2016	3,012	Leasehold for 99 years	Shop	4	31 Dec 2110	2,087,772

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 44th Annual General Meeting of the Company will be held at the Ballroom I, Level 2, The Federal Hotel Kuala Lumpur, No. 35, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Thursday, 26 September 2019 at 11.30 a.m. to transact the following business:-

AGENDA

1. To lay before the Meeting the Audited Financial Statements for the financial year ended 30 April 2019 and the Reports of the Directors and Auditors thereon. — **Refer to Explanatory Note**

2. To re-elect the following Directors who are retiring by rotation pursuant to Article 102(1) of the Company's Constitution: -
   i. Mr. Tan Kai Hee — **Resolution 1**
   ii. Mr. Hew Von Kin — **Resolution 2**
   iii. Mr. Chow Kee Kan @ Chow Tuck Kwan — **Resolution 3**

3. To re-elect Mr. Ng Chek Yong who is retiring pursuant to Article 109 of the Company's Constitution. — **Resolution 4**

4. i. To approve the payment of Directors' fees amounting to RM224,250 for the financial year ended 30 April 2019. — **Resolution 5**

   ii. To approve the payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM1,000,000 from 27 September 2019 until the next Annual General Meeting of the Company. — **Resolution 6**

5. To declare a final single tier dividend of 9 sen per ordinary share for the financial year ended 30 April 2019. — **Resolution 7**

6. To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. — **Resolution 8**

As Special Business: -

7. To consider and if thought fit, to pass the following ordinary/ special resolutions: -

ORDINARY RESOLUTION I

i. Retention of Independent Director — **Resolution 9**

"THAT Mr. Chow Kee Kan @ Chow Tuck Kwan be hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

ORDINARY RESOLUTION II

ii. To authorise the allotment and issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016 — **Resolution 10**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit and in the interest of the Company, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

ORDINARY RESOLUTION III

iii. Proposed Share Buy-Back by the Company **Resolution 11**

"THAT subject to the rules, regulations and orders made pursuant to the Companies Act 2016 ("the Act"), provisions of the Company's Constitution and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Board be and is hereby authorised to purchase the Company's shares ("Hai-O Shares") through Bursa Securities ("Proposed Share Buy-Back") subject to the following:-

a. the maximum number of Hai-O Shares which may be purchased and/or held as treasury shares by the Company at any point in time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company;

b. the maximum fund to be allocated by the Company for the purpose of purchasing the Hai-O Shares shall not exceed the aggregate of the retained profits of the Company;

c. the authority conferred by this resolution will be effective immediately upon the passing of this Resolution and will expire at the conclusion of the next Annual General Meeting of the Company, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company at a general meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements of Bursa Securities or any other relevant authorities; and

d. upon completion of the purchase(s) of the Hai-O Shares by the Company, the Board be and is hereby authorised to retain the Hai-O Shares so purchased as treasury shares, of which may be distributed as dividends to shareholders and/or re-sold on Bursa Securities and/or subsequently cancelled and in other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT the Board be and is hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Hai-O Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

SPECIAL RESOLUTION

iv. Proposed Adoption of a new Constitution of the Company ("Proposed Adoption") **Resolution 12**

"THAT approval be and is hereby given for the Company to adopt a new Constitution in the form and manner as set out in "Appendix ll", Part B of the Statement / Circular to Shareholders dated 27 August 2019 in place of the existing Constitution of the Company.

AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Adoption with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

8. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the 44th Annual General Meeting to be held on 26 September 2019, a final single tier dividend of 9 sen per ordinary share in respect of the financial year ended 30 April 2019 will be paid on 21 November 2019. The entitlement date for the dividend payment is on 8 November 2019.

A Depositor shall qualify for the entitlement to the dividend only in respect of: -

(a) Securities transferred into the Depositor's Securities Account before 4.30 p.m. on 8 November 2019 in respect of transfers; and
(b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Cynthia Gloria Louis (MAICSA 7008306)
Chew Mei Ling (MAICSA 7019175)
Company Secretaries

Selangor Darul Ehsan
27 August 2019

Notes:
1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 19 September 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 44th Annual General Meeting.*
2. *A member entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him save for a member who is an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 and holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which such member may appoint in respect of each omnibus account it holds. There shall be no restriction as to the qualification of the proxy and a proxy duly appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holding(s) to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or attorney duly authorised in writing.*
5. *The Form of Proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the meeting.*

Explanatory Notes to Ordinary and Special Business

Item 1 of the Agenda

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the audited financial statements. Hence, this item 1 of the Agenda is not put forward for voting.

Ordinary Resolution 6 - Directors' remuneration and benefits

The Directors' remuneration and benefits (excluding Directors' fees) comprises emoluments and other benefits payable to the Non-Executive Directors from 27 September 2019 until the next Annual General Meeting of the Company. For newly appointed Non- Executive Director(s), the Directors' remuneration and benefits (excluding Directors' fees) are payable from the date of the respective appointment(s) during the year. The remuneration and benefits are recommended to commensurate with the Directors' commitment, experiences and expertise for discharging their duties.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes to Ordinary and Special Business (cont'd)

Ordinary Resolution 6 - Directors' remuneration and benefits (cont'd)

Description	Emoluments and other benefits
Fixed Allowance	Approximately RM50,000 per month in total
Meeting attendance allowance	RM1,000 per day basis
Board Committee Chairman Member	 RM24,000 to RM36,000 per annum RM12,000 to RM24,000 per annum
Other benefits	Group Medical & Personal Accident and Corporate Liability Insurance, training benefits, Employer's Statutory Contribution, ESOS and other benefits

Payment of the Directors' fees for the financial year ended 30 April 2019 amounting to RM224,250 will be made by the Company if the proposed Ordinary Resolution 5 is passed at the forthcoming Annual General Meeting.

Payment of the Directors' remuneration and benefits will be made by the Company as and when incurred if the proposed Ordinary Resolution 6 is passed.

Ordinary Resolution 9 - To retain Mr. Chow Kee Kan @ Chow Tuck Kwan as an Independent Non-Executive Director of the Company

Mr. Chow Kee Kan @ Chow Tuck Kwan ("Mr Chow") is currently the Senior Independent Non-Executive Director of our Company who has served on our Board since 1 April 2011. Mr. Chow's tenure of office as an Independent Non-Executive Director of the Company will be nine (9) years cumulatively by 1 April 2020. In applying the recommendation under the Malaysian Code of Corporate Governance, the Board has assessed and with the recommendation of the Nominating Committee would strongly recommend to the members of the Company to vote in favour of the resolution for Mr. Chow to continue to act as an Independent Non-Executive Director. This is because he has demonstrated throughout the term of his office to be independent not only by the mere fulfillment of the criteria under the definition of an Independent Director in the Main Market Listing Requirements of Bursa Securities but subjectively too by exercising independent judgment when a matter is put before him for a decision. He also has the experience to make informed decision and to participate actively and contribute positively during deliberations or discussions at Board meetings.

Ordinary Resolution 10 – Mandate to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Directors did not issue any new shares pursuant to the existing Mandate which will lapse at the conclusion of the 44th Annual General Meeting.

The proposed resolution is to seek members' approval to renew the mandate given by them at the 43rd Annual General Meeting to issue new shares pursuant to Sections 75 and 76 of the Companies Act 2016. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. The authority will provide flexibility to the Company for any possible fund-raising activities, including but not limited to placement of shares, funding for future investment project(s) and/or business expansion and/or working capital and/or acquisitions or the issuance of shares as a consideration for the acquisition of assets.

Ordinary Resolution 11 - Proposed Share Buy-Back by the Company

The Ordinary Resolution, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company at a general meeting, expire at the next Annual General Meeting. For further information on the Proposed Share Buy-Back, please refer to the Share Buy-Back Statement dated 27 August 2019 accompanying the Annual Report 2019.

Special Resolution - Proposed Adoption of a new Constitution of the Company ("Proposed Adoption")

This proposed Special Resolution, if passed, will streamline the Company's Constitution with the new provisions of the Companies Act 2016, amendments made to Bursa Securities Main Market Listing Requirements and other provisions of laws and regulations that are applicable to the Company and to enhance administrative efficiency ("Proposed Adoption").

The Board proposed that the existing Constitution be revoked in its entirety and the proposed new Constitution as set out in "Appendix ll", Part B of the Statement / Circular to Shareholders dated 27 August 2019 be adopted as the new Constitution of the Company.

The Proposed Adoption shall take effect once it has been passed by a majority of not less than 75% of such members who are entitled to attend and vote in person or by proxy at the 44th AGM.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

PERSONAL DATA PRIVACY

By lodging of a completed Form of Proxy to the Share Registrar of the Company for appointing a proxy(ies) and/ or representative(s) to attend and vote in person at the 44th Annual General Meeting and any adjournment thereof, a member of the Company is hereby:

1) consented to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 44th Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 44th Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "Purposes");
2) warranted that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes ("Warranty"); and
3) agreed that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the Warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Following is the statement made pursuant to paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad:-

1) Directors who are standing for re-election at the 44th Annual General Meeting of the Company, are as follows: -

    i) The Directors who are retiring by rotation pursuant to Article 102(1) of the Company's Constitution and seeking re-election, are: -
        - Mr. Tan Kai Hee
        - Mr. Hew Von Kin
        - Mr. Chow Kee Kan @ Chow Tuck Kwan

    ii) The Director, Mr. Ng Chek Yong who was appointed during the year and is retiring pursuant to Article 109 of the Company's Constitution and seeking re-election.

    The details of the four (4) Directors seeking for re-election are set out in the Directors' profiles appearing on pages 7, 8 and 10 of the Annual Report.

2) Details of attendance of Directors at Board Meetings held during the financial year ended 30 April 2019 are set out on page 90 of the Annual Report.

3) Place, Date and Time of the 44th Annual General Meeting are as follows: -

Place	:	Ballroom I, Level 2, The Federal Hotel Kuala Lumpur, No.35, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.
Date	:	26 September 2019 (Thursday)
Time	:	11.30 a.m.

NOTES

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

FORM OF PROXY

CDS Account No.	
No. of Shares Held	

I/We ____

NRIC No. (New) ____________________ (Old) ____________________ / Company No. ____________________

of ____

being a member / members of **HAI-O ENTERPRISE BERHAD (22544-D)** hereby appoint the following person(s):-

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
*And/ or failing him/ her (delete as appropriate)			

For a member who is an authorised nominee with omnibus account, please state the details of the proxies as above if more than two (2) on your letterhead and to attach the same to this Form of Proxy.

or failing him/her/them, THE CHAIRMAN OF THE MEETING, as my/our proxy/proxies, to vote for me/us on my/our behalf at the **44th Annual General Meeting** of the Company to be held at the Ballroom I, Level 2, The Federal Hotel Kuala Lumpur, No. 35, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Thursday, 26 September 2019 at 11.30 a.m. and at any adjournment thereof in the manner as indicated below in respect of the following Resolutions:-

RESOLUTIONS		FOR	AGAINST
Resolution 1	Re-election of Mr. Tan Kai Hee as a Director.		
Resolution 2	Re-election of Mr. Hew Von Kin as a Director.		
Resolution 3	Re-election of Mr. Chow Kee Kan @ Chow Tuck Kwan as a Director.		
Resolution 4	Re-election of Mr. Ng Chek Yong as a Director.		
Resolution 5	Approval for the payment of Directors' fees for the financial year ended 30 April 2019.		
Resolution 6	Approval for the payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors from 27 September 2019 until the next Annual General Meeting of the Company.		
Resolution 7	Declaration of a final single tier dividend of 9 sen per ordinary share.		
Resolution 8	Re-appointment of Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 9	Retention of Mr. Chow Kee Kan @ Chow Tuck Kwan as an Independent Non-Executive Director of the Company.		
Resolution 10	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Resolution 11	Proposed Share Buy-Back by the Company.		
Resolution 12	Proposed Adoption of a new Constitution.		

Please indicate with an "X" in the appropriate space how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy may vote or abstain from voting at his/her/their discretion.

Date: ____________________

____
Signature of Shareholder(s)

Notes:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 19 September 2019 shall be entitled to attend, speak and vote at this 44th Annual General Meeting.
2. A member entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him save for a member who is an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 and holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which such member may appoint in respect of each omnibus account it holds. There shall be no restriction as to the qualification of the proxy and a proxy duly appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holding(s) to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or attorney duly authorised in writing.
5. The Form of Proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46,47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the meeting.

Please fold this flap for sealing

Please fold here

AFFIX STAMP

HAI-O ENTERPRISE BERHAD
(22544-D)

THE SHARE REGISTRAR

BOARDROOM SHARE REGISTRARS SDN BHD (378993-D)

Level 6, Symphony House,

Pusat Dagangan Dana 1, Jalan PJU 1A/46,

47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

Please fold here

www.hai-o.com.my

HAI-O ENTERPRISE BERHAD
(22544-D)

Unit 621, 6th Floor
Block A, Kelana Centre Point No.3, Jalan SS7/19, Kelana Jaya
47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 03-7880 9699 | Fax: 03-7880 8699
E: info@hai-o.com.my