



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

Unaudited Interim Financial Report
30 April 2020



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

Quarterly report on consolidated results for the financial year ended 30 April 2020
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020**

	INDIVIDUAL PERIOD (4th Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/04/2020	PRECEDING YEAR CORRESPONDING QUARTER 30/04/2019	CURRENT YEAR TO DATE 30/04/2020	PRECEDING YEAR CORRESPONDING PERIOD 30/04/2019 (Audited)
	RM'000	RM'000	RM'000	RM'000
Revenue	53,687	69,995	255,158	328,407
Cost of sales	(30,716)	(44,265)	(155,769)	(202,213)
Gross Profit	22,971	25,730	99,389	126,194
Other income	2,968	3,417	5,796	7,396
Depreciation	(1,893)	(1,016)	(6,591)	(4,638)
Administrative expenses	(5,891)	(6,542)	(23,948)	(25,293)
Selling & distribution expenses	(4,755)	(7,765)	(29,971)	(40,316)
Other expenses	(2,577)	(405)	(3,687)	(1,106)
Operating Profit	10,823	13,419	40,988	62,237
Finance income	205	362	973	1,244
Finance costs	(144)	-	(361)	(108)
Share of profit/(loss) of equity-accounted investee, net of tax	(5)	(11)	8	21
Profit before tax	10,879	13,770	41,608	63,394
Tax expenses	(1,600)	(3,637)	(9,610)	(15,947)
Profit after tax	9,279	10,133	31,998	47,447
Profit attributable to:				
Owners of the parent	9,567	10,354	32,230	47,742
Non-controlling interest	(288)	(221)	(232)	(295)
	9,279	10,133	31,998	47,447
Earnings Per Share attributable to equity holders of the parent				
- Basic	3.29	3.56	11.10	16.43
- Diluted	-	-	-	-

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

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

Quarterly report on consolidated results for the financial year ended 30 April 2020
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020**

	INDIVIDUAL PERIOD (4th Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/04/2020	PRECEDING YEAR CORRESPONDING QUARTER 30/04/2019	CURRENT YEAR TO DATE 30/04/2020	PRECEDING YEAR CORRESPONDING PERIOD 30/04/2019 (Audited)
	RM'000	RM'000	RM'000	RM'000
Profit for the year	9,279	10,133	31,998	47,447
Other comprehensive income				
- Foreign currency translation differences for foreign operations	282	(278)	329	(248)
Total comprehensive Income for the year	9,561	9,855	32,327	47,199
Total comprehensive income attributable to:				
Owners of the parent	9,849	10,076	32,559	47,494
Non-controlling Interest	(288)	(221)	(232)	(295)
	9,561	9,855	32,327	47,199

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

**HAI-O ENTERPRISE BHD (Reg.No. 197501000919 (22544-D))****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2020**

	AS AT CURRENT FINANCIAL YEAR ENDED 30/04/2020 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2019 (RM'000) (Audited)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	78,551	97,147
<i>Investment properties</i>	53,029	45,659
<i>Right-of-use assets</i>	12,027	-
<i>Investment in jointly control entity</i>	2,196	2,188
<i>Investment in an associates</i>	-	-
<i>Other Investments</i>	12	12
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	1,181	1,521
<i>Deferred tax assets</i>	1,816	1,025
	148,897	147,637
Current Assets		
<i>Inventories</i>	93,331	98,122
<i>Trade and other receivables</i>	23,553	23,364
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	37,920	41,321
<i>Cash and Cash Equivalents</i>	57,964	53,792
	212,768	216,599
TOTAL ASSETS	361,665	364,236
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	157,257	157,257
<i>Treasury Shares</i>	(24,158)	(24,053)
<i>Other reserves</i>	1,208	951
<i>Retained earnings</i>	165,048	176,064
	299,355	310,219
Non-controlling interest	10,629	10,456
Total Equity	309,984	320,675
Non-current Liabilities		
<i>Borrowings</i>	-	-
<i>Lease Liabilities</i>	3,435	-
<i>Deferred tax</i>	604	643
	4,039	643
Current Liabilities		
<i>Trade & other payables</i>	44,076	38,536
<i>Short term borrowings</i>	-	289
<i>Short-term provisions</i>	698	1,529
<i>Lease Liabilities</i>	1,621	-
<i>Contract Liabilities</i>	1,225	1,723
<i>Current tax payables</i>	22	841
	47,642	42,918
Total Liabilities	51,681	43,561
TOTAL EQUITY AND LIABILITIES	361,665	364,236
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.03	1.07

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


HAI-O ENTERPRISE BHD (Reg.No. 197501000919 (22544-D))
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020**

	Attributable to Equity Holders of the Parent					Distributable Retained Earnings	Total	Non- controlling interest	Total Equity
	Non distributable								
	Share Capital	Treasury shares	Exchange fluctuation reserve	Capital reserve	Share option reserve				
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
12-month ended 30 April 2020									
Balance as at 1 May 2019	157,257	(24,053)	(303)	657	597	176,064	310,219	10,456	320,675
Initial application of MFRSs adjustments	-	-	-	-	-	(67)	(67)	-	(67)
Profit for the year	-	-	-	-	-	32,230	32,230	(232)	31,998
Other comprehensive income for the year	-	-	329	-	-	-	329	-	329
Total comprehensive income for the year	-	-	329	-	-	32,230	32,559	(232)	32,327
Share option forfeited	-	-	-	-	(72)	72	-	-	-
Acquisition of additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	298	298	(578)	(280)
Minority shareholders of disposed subsidiary	-	-	-	-	-	-	-	801	801
Acquisition of additional interest in a subsidiary by non-controlling interest	-	-	-	-	-	-	-	400	400
Dividend	-	-	-	-	-	(43,549)	(43,549)	(218)	(43,767)
Purchase of Company's own shares	-	(105)	-	-	-	-	(105)	-	(105)
Balance at end of financial year	157,257	(24,158)	26	657	525	165,048	299,355	10,629	309,984
12-month ended 30 April 2019									
Balance as at 1 May 2018	157,093	(21,580)	(55)	657	675	171,115	307,905	11,019	318,924
Initial application of MFRSs adjustments	-	-	-	-	-	711	711	-	711
Profit for the year	-	-	-	-	-	47,743	47,743	(295)	47,448
Other comprehensive income for the year	-	-	(248)	-	-	-	(248)	-	(248)
Total comprehensive income for the year	-	-	(248)	-	-	47,743	47,495	(295)	47,200
Share option forfeited	-	-	-	-	(37)	37	-	-	-
Share option exercised	164	-	-	-	(41)	-	123	-	123
Acquisition of additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	36	36	(49)	(13)
Dividend	-	-	-	-	-	(43,578)	(43,578)	(219)	(43,797)
Purchase of Company's own shares	-	(2,473)	-	-	-	-	(2,473)	-	(2,473)
Balance at end of financial year	157,257	(24,053)	(303)	657	597	176,064	310,219	10,456	320,675

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


HAI-O ENTERPRISE BHD (Reg.No. 197501000919 (22544-D))
**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020**

	2020 12-month ended 30/04/2020 (RM '000)	(Audited) 2019 12-month ended 30/04/2019 (RM '000)
Profit before tax	41,608	63,394
Adjustment for :-		
Depreciation on property, plant and equipment & IP	4,656	4,638
Depreciation on right-of-use assets	1,935	-
Dividend income	(1,315)	(1,486)
Fair value (gain)/loss on other investments	(163)	(38)
Finance costs	361	108
Finance income	(973)	(1,244)
Gain/(loss) on disposal of property, plant and equipment	-	(1,278)
Gain/(loss) on disposal of other investment	(10)	(159)
Gain on disposal of a subsidiary	(1,237)	-
Loss on winding up of a subsidiary	130	-
Property, plant and equipment written off	7	22
Share of profit of equity-accounted investee, net of tax	(8)	(21)
Provision for sales campaign	1,170	3,808
Unrealised foreign exchange differences	(170)	34
Operating profit before changes in working capital	45,991	67,778
Changes in working capital		
<i>Inventories</i>	4,791	(6,938)
<i>Receipts from customers</i>	3,478	9,512
<i>Net Change in other receivables</i>	(2,960)	1,286
<i>Payment to suppliers, contractors and employees</i>	(3,182)	5,980
<i>Net Change in other payables</i>	(2,387)	(28,092)
	(260)	(18,252)
Cash generated from operations		
<i>Payment of income taxes</i>	(10,773)	(20,947)
Net cash flows from operating activities	34,958	28,579
Investing Activities		
<i>Accretion of equity interests in subsidiary</i>	(280)	(14)
<i>Accretion of equity interests in subsidiary by non-controlling interest</i>	400	-
<i>Acquisition of other investments</i>	(10,491)	(61,488)
<i>Purchase of property, plant and equipment & IP</i>	(356)	(8,296)
<i>Proceeds from disposal of other investment</i>	15,380	79,316
<i>Proceeds from disposal of property, plant and Equipment</i>	-	1,409
<i>Proceeds from disposal of as subsidiary</i>	50	-
<i>Net Proceeds from winding up of a subsidiary</i>	1,005	-
<i>Dividend received</i>	-	473
<i>Interest received</i>	973	1,245
Net cash from/(used in) investing activities	6,681	12,645
Financing Activities		
<i>Purchase of Company's own share</i>	(105)	(2,473)
<i>Proceeds from issue of share</i>	-	124
<i>Dividend paid</i>	(35,058)	(52,524)
<i>Payment of lease liabilities</i>	(2,056)	-
<i>Interest paid on loans and borrowings</i>	(361)	(108)
<i>Repayment / drawdown of trade facilities</i>	(289)	(1,116)
Net cash from/(used in) financing activities	(37,869)	(56,097)
Net Changes in Cash & Cash Equivalents	3,770	(14,873)
Effect of exchange rate & fluctuations on cash held	402	(9)
Cash & Cash Equivalents at beginning of financial year	53,792	68,674
Cash & Cash Equivalents at end of the financial year	57,964	53,792

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



PART A -- Notes To The Interim Financial Report

A1 Basis of preparation

The interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”). The interim financial statements also comply with IAS 34, Interim Financial Reporting issued by the International Accounting Statements Board (“IASB”).

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

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2019.

Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 April 2019 except for the adoption of new standards, amendments and interpretation that have been issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for the Group effective for annual periods beginning on or after 1 January 2019 as stated below:

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

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



MFRS 16, Leases

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

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

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

Statement of financial position

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

1 May 2019	As previously reported	Retrospective adjustment of MFRS 16	After MFRS 16 Adjustments
	RM	RM	RM
Assets			
Property, plant & equipment	97,146,523	(7,323,180)	89,823,343
Right-of-use assets	-	14,096,717	14,096,717
Deferred tax	1,024,834	20,986	1,045,820
Impact to assets	<u>98,171,357</u>	<u>6,794,523</u>	<u>104,965,880</u>
Liabilities			
Current Lease liabilities	-	1,800,986	1,800,986
Non-current Lease liabilities	-	5,060,749	5,060,749
Impact to liabilities	<u>-</u>	<u>6,861,735</u>	<u>6,861,735</u>
Equity			
Retained earnings	<u>176,063,804</u>	<u>(67,212)</u>	<u>175,996,592</u>



A2 Seasonal or cyclical factors of interim operations

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

A3 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows because of their nature, size or incidence.

A4 Changes in estimates of amounts reported previously

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

A5 Issues, repurchase and repayments of debts and equity securities

There have been no other issuance, cancellation, repurchases, resale and repayments of debts and equity securities during the quarter under review.

- i) The details of shares held as treasury shares for the period ended 30 April 2020 are as follows:

	Number of Treasury shares	Total Cost Consideration RM
Balance as at 1 Feb 2020	9,968,388	24,136,838
Repurchased during the quarter	16,200	21,450
Balance as at 30 Apr 2020	9,984,588	24,158,288

The repurchase transactions were financed by internally generated funds.

As at 25 June 2020, the treasury shares held were 9,995,588 shares with total purchase consideration of RM 24,178,539.

- ii) During the period under review and subsequent to the fourth quarter ended 30 April 2020, no ESOS options were exercised.

A6 Dividend paid

The second single tier interim dividend of 3 sen per ordinary share, amounting to RM 8,709,399 in respect of the current financial year ended 30 April 2020, was paid on 16 June 2020.



A7 Segment information

Details of segmental analysis for the year ended 30 April 2020 are as follows:

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE						
Revenue from external customers	156,717	57,432	36,706	4,303	-	255,158
Inter-segment revenue	110	68,481	4	6,461	(75,056)	-
Total revenue	156,827	125,913	36,710	10,764	(75,056)	255,158
RESULT						
Segment profit/(loss)	32,041	5,202	140	3,269	336	40,988
Finance costs						(361)
Interest income						973
Share of loss of equity-accounted investee, net of tax						8
Profit before taxation						41,608
Income tax expenses						(9,610)
Net profit for the period						31,998

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	110,138	175,542	34,930	41,055	-	361,665
Segment liabilities	16,886	26,203	6,713	1,879	-	51,681

A8 Property, plant and equipment

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



A9 Events after the interim period that have not been reflected in the financial statements for the interim period

There were no material events subsequent to the year ended 30 April 2020.

A10 Changes in the composition of the Group

There was no change in the composition of the Group during the quarter under review except for the following:

- i) The Company acquired additional 62,000 shares of Hai-O Raya Bhd for a total cash consideration of RM 173,600.
- ii) On 12 March 2020, Sahajidah Hai-O Marketing Sdn Bhd (“SHOM”), a wholly owned subsidiary of the Company, diluted its equity interest in PT Hai-O Indonesia (“PTI”) from 55% to 40% by the disposal of 162,000 shares for a total cash consideration of RM 50,000. With effect thereof, PTI has become an associate company of SHOM.

A11 Contingent liabilities

The changes in contingent liabilities of the Company and the Group since the last annual Statement of Financial Position date are as follows:-

<u>Company</u>	As at 25/06/2020	As at 30/04/2020	As at 30/4/2019
	RM'000	RM'000	RM'000
Corporate guarantee in respect of credit facilities granted to subsidiary companies	Nil	Nil	Nil
<u>Group</u>	As at 25/06/2020	As at 30/04/2020	As at 30/4/2019
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	993	1,493	819



A12 Capital commitment

The capital commitment of the Group for the year ended 30 April 2020 is as follows:

	Approved, contracted but not provided for
	RM'000
Property, plant and equipment	765
Total	765

PART B -- Explanatory Notes Pursuant To Appendix 9B of The Bursa Securities Listing Requirement

B1 A detailed analysis of the performance of operating segments of the Group, setting out material factors affecting the earnings and/or revenue of each segment for the current quarter and financial period-to-date:

Financial review for current quarter and financial year to date

	Individual Period (4th quarter)		Changes	Cumulative Period		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	30/04/2020 (RM '000)	30/04/2019 (RM '000)		30/04/2020 (RM '000)	(Audited) 30/04/2019 (RM '000)	
Revenue	53,687	69,995	(23.3%)	255,158	328,407	(22.3%)
Gross Profit	22,971	25,730	(10.7%)	99,389	126,194	(21.2%)
Operating Profit	10,823	13,418	(19.3%)	40,988	62,237	(34.1%)
Profit Before Tax	10,879	13,770	(21.0%)	41,608	63,394	(34.4%)
Profit After Tax	9,279	10,133	(8.4%)	31,998	47,447	(32.6%)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	9,567	10,354	(7.6%)	32,230	47,742	(32.5%)



Statement of profit & loss and other comprehensive income

For the year ended 30 April 2020, the Group recorded a lower revenue of RM 255.2 million which represented a decrease of 22.3% as compared to the previous financial year of RM 328.4 million. In tandem with the lower revenue, the Group recorded a lower pre-tax profit of RM 41.6 million as compared to the preceding year of RM 63.4 million, a decrease of 34.4%.

Malaysia's Movement Control Order (MCO) since 18 March 2020 arising from the Covid-19 pandemic had impacted the business activities across the Group. The unexpected and extended nature of the phased lockdown presented unprecedented challenge to the Group, who had swiftly and proactively instituted various actions and measures to mitigate the impact.

Statement of financial position

The equity attributable to equity holders of the parent stood at RM 299.4 million, a marginal decrease of 3.5% as compared to the previous financial year ended 30 April 2019 of RM 310.2 million, after taking into account the final dividend of RM 26.1 million and interim dividends of RM 17.4 million in respect of the previous financial year ended 30 April 2019 and the current financial year ended 30 April 2020, respectively.

The Group's total assets as at 30 April 2020 stood at RM 361.7 million (FYE 30.4.2019: RM 364.2 million). The adoption of MFRS 16 required the Group to recognise lease contract as a right-of-use asset and a corresponding liability as lease liabilities. The decrease in total assets by RM 2.6 million was mainly due to the decrease in inventories by RM 4.8 million during the financial year under review.

Total liabilities of the Group increased by RM 8.1 million to RM 51.7 million (FYE 30.4.2019: RM 43.6 million). The increase in total liabilities was mainly due to the increase in trade & other payables inclusive 2nd interim dividend of RM 8.7 million and recognition of Lease liabilities amounting to RM 5.1 million upon the adoption of MFRS 16.

Net asset per share was recorded at RM 1.03 against the previous financial year ended 30 April 2019 of RM 1.07.

Statement of cash flow

The Group's cash and cash equivalents and short term investment totalled RM 95.9 million as at 30 April 2020 (FYE 30.4.2019: RM 95.1 million).

Net cashflow from operating activities of RM 35.0 million was primarily generated from the operating profits of the three main divisions with MLM and Retail divisions' sales mainly transacted in cash. Net cash inflow from investing activities totalled RM 6.7 million, which was mostly from the net proceeds from the disposal of other investments and net proceeds from the winding up of a subsidiary. Net cash used in financing activities of RM 37.9 million was mainly for dividend payment of RM 35.1 million. As a result, the Group's cash and cash equivalents increased by RM 4.2 million to RM 58.0 million in the current financial year under review.



Segmental Analysis

Current quarter compared to the preceding year's corresponding quarter

For the 4th quarter under review, the Group recorded lower revenue and pre-tax profit of RM 53.7 million and RM 10.9 million, as compared to RM 70.0 million and RM 13.8 million in the preceding year's corresponding quarter, representing a decrease of 23.3% and 21.0% respectively:

(i) MLM division

MLM revenue decreased by about 25.6% to RM 35.3 million as compared to the preceding year's corresponding quarter of RM 47.4 million. There were no sales incentive campaign in the current quarter in light of the MCO. Pre-tax profit fell only marginally by 1.5% to RM 10.2 million, mainly thanks to higher sales of "small-ticket" items derived from our e-commerce platform during the MCO period, cost optimisation initiatives, as well as higher A&P subsidy from suppliers.

(ii) Wholesale division

Revenue from external sales decreased by 10.7% to RM 10.8 million as compared to the preceding year's corresponding quarter of RM 12.1 million, due mainly to lower sales of medicated tonic, cooking wine and patented medicine as the division operated at a minimal level during the MCO period when the delivery of non-essential goods was disallowed.

In tandem with lower revenue and an estimated credit loss of RM 1.1 million as required under MFRS 16 coupled with lower contribution from inter-segment sales, divisional pre-tax profit declined by about 54.4% to RM 0.9 million.

(iii) Retail division

The retail division took a hard hit from the MCO. The retail outlets operated at a minimal level during the 1st phase of the MCO, and only partially re-opened with shorter operating hours starting from the 2nd phase of the MCO. As a result, the division had to defer the financial year end members' sales promotion campaign which was initially planned to be held in the 4th quarter of the financial year. The division recorded a loss of RM 0.9 million in the 4th quarter as compared to pre-tax profit of RM 0.4 million in the preceding year's corresponding quarter.



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

For the financial year under review, the Group recorded a lower revenue and pre-tax profit of RM 255.2 million and RM 41.6 million as compared to the preceding year of RM 328.4 million and RM 63.4 million, representing a decrease of 22.3% and 34.4% respectively:

(i) MLM division

The MLM division operated under an extremely challenging business environment with the outbreak of Covid-19 pandemic and the compounding global and domestic economic uncertainties, taking a big toll on consumer sentiment. The division has taken various steps to mitigate the negative impact. In addition to costs optimization initiatives, the division has leveraged on e-commerce sales, aggressively organized product promotions and rebates to members, and also successfully attracted more new members to expand its active distributor base.

The division recorded lower revenue and pre-tax profit of RM 156.7 million and RM 32.5 million for the financial year under review, down by 30.3% and 31.5% respectively as compared to RM 224.9 million and RM 47.4 million in the preceding year's corresponding period.

(ii) Wholesale division

The division recorded a lower revenue of RM 57.4 million, a marginal decrease of 2.6% as compared to RM 59.0 million in the preceding year. Higher sales generated from Puer-tea and the export of bird nest products were offset by lower demand for Chinese medicated tonic, cooking wine and patented medicine as the delivery of non-essential goods was prohibited during the MCO period.

Pre-tax profit decreased by 43.7% to RM 6.1 million mainly due to lower contribution as a result of a 50% drop in inter-segment sales, coupled with lower sales from Chinese medicated tonic and patented medicine which command higher margin. In addition, an estimated credit loss of RM 1.1 million as required under MFRS 9 was recorded during the period.

(iii) Retail division

Retail revenue fell by 9.5% from RM 40.6 million to RM 36.7 million as the division was hit hard by the MCO. The Retail outlets operated at a minimal level during the 1st phase of the MCO and only partially re-opened from the 2nd phase with shorter operating hours. Further, taking into account the depressed consumer sentiment, the division deferred its grand year end members' sales promotion which did not help its performance. The division only managed to break even before factoring in MFRS 16 impact of RM 0.1 million, as compared to pre-tax profit of RM 0.9 million in the previous year.



(iv) Other division

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

During the financial year under review, higher rental income from investment properties was recorded mainly due to a new tenancy. However, pre-tax profit decreased by 26.1% to RM 3.1 million, dragged by lower manufacturing contribution and the compensation of RM 0.5 million paid in respect of a sealed judgment arising from an alleged early termination of a tenancy agreement for one of the investment properties.

B2 Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes
	30/04/2020 (RM '000)	31/01/2020 (RM '000)	
Revenue	53,687	67,021	(19.9%)
Gross Profit	22,971	27,188	(15.5%)
Operating Profit	10,823	10,803	0.2%
Profit Before Tax	10,879	10,983	(0.9%)
Profit After Tax	9,279	7,909	17.3%
Profit Attributable to Ordinary Equity Holders of the Parent	9,567	7,599	25.9%

For the 4th quarter under review, the Group revenue declined by 19.9% to RM 53.7 million while pre-tax profit decreased marginally by 0.9% to RM 10.9 million.



(i) MLM division

During the MCO period, the MLM division aggressively leveraged on the e-commerce platform by encouraging distributors to shift to its online portal to reach out to its members. In addition, the launch of free membership and “Stay at home, earn from home” campaign has successfully attracted a sizable number of new members which brought in additional sales especially sales of “small-ticket” items increased as consumers switched to more affordable items. Such proactive measures taken by the division have helped to mitigate the negative impact of the MCO, thus cushioning the decline of revenue to 4.2% to RM 35.3 million

Thanks to the initiative to leverage on technology and social media which has improved operating efficiencies, as well as cost optimization measures, MLM pre-tax profit rose by 39.3% to RM 10.2 million, as compared to RM 7.3 million in the immediate preceding quarter.

(ii) Wholesale division

Wholesale revenue dropped by 35.5% from RM 16.7 million to RM 10.8 million as compared with the immediate preceding quarter. The higher base in the immediate preceding quarter was mainly driven by CNY festive season sales campaign. The division operated at a minimal level during the MCO period when the delivery of non-essential goods was dis-allowed. In tandem with lower revenue and an estimated credit loss of RM 1.1 million as required under MFRS 9, divisional pre-tax profit decreased by 57.1% to RM 0.9 million.

(iii) Retail division

The Retail outlets operated at a minimal level during the 1st phase of the MCO and only partially re-opened with shorter operating hours starting from the 2nd phase. In view of this, the division had to defer the year end members’ sales promotion campaign. Higher base in the immediate preceding quarter was mainly driven by pre-CNY sales promotion. The division suffered a 48% decline in revenue and a loss RM 0.9 million in the 4th quarter of the financial year.



B3 Commentary on prospects for the financial year

The outbreak of the Covid-19 pandemic has heightened risks of a global recession, and the unresolved US-China trade tension is another sensitive development which needs to be closely monitored. The Group is mindful of the negative impact on the global and domestic economy, especially noting the World Health Organization's (WHO) recent warning of a new and dangerous phase in the Covid pandemic. The unprecedented challenges faced by businesses and individuals during this unexpected and extended health and economic crisis will inevitably have a prolonged impact on consumer sentiment in the midst of rising unemployment.

Amidst the challenges, the Group has delivered resilience in the latest quarter under review as operating profit was maintained despite an almost 20% decline in revenue from the immediate preceding quarter. This resilience was anchored on the agility of our key businesses, especially the MLM division, to quickly adapt to change and to re-strategize to evolve and strengthen our market positioning amidst the crisis. While the outlook remains highly uncertain as we face a new norm, we are optimistic that the ability to face and adapt to sudden and unexpected changes will put us in good stead to ride challenges ahead. Moving forward, the Group will continue to optimise costs, re-strategize business plans, and work to further strengthen our existing digital infrastructure, enhance our presence in social media and digital advertising to reach out to existing and potential customers. With Covid-19 likely to lead to greater focus on healthcare, and the Group hopes to fortify our position as a premier healthcare company in Malaysia.

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

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

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

B5 Profit forecast / profit guarantee previously announced

There were no profit forecast or profit guarantee previously announced.

B6 Trade Receivables

The ageing analysis of trade receivables of the Group as at 30 April 2020 is as follows:

	RM '000
Not past due	13,188
Past due 1-30 days	202
Past due 31-60 days	554
Past due more than 60 days & not impaired	240
Past due more than 60 days & impaired	43
	<u>14,227</u>

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



B7 Taxation

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

For the quarter under review and financial year to date, the effective tax rate of the Group was lower than the statutory tax rate due mainly to overprovision in prior year, effect of deferred tax assets, certain income which is not subject to tax and the utilisation of capital allowance.

	Current quarter ended 30/04/2020 (RM '000)	Current year to date 30/04/2020 (RM '000)
Profit before taxation	10,879	41,608
Taxation at applicable tax rate – 24%	2,611	9,986
Adjustment mainly due to over tax provision in prior year, effect of deferred tax assets, certain non-taxable income, and utilisation of capital allowance	(1,011)	(376)
Total Income Tax Expenses	1,600	9,610

B8 Status of Corporate Proposals

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

B9 Group Borrowings and Debts Securities

The Group borrowings and debts securities are as follows:

Current year ended 30/04/2020				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowing	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	-
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				-

Preceding year ended 30/04/2019				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowings	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	289
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				289



The short-term borrowings solely comprised of trade facilities for working capital purpose which are denominated in RM currency. There was no outstanding banking facilities drawn down as at 30 April 2020.

B10 Changes in Material Litigation

The Group is not engaged in any material litigation, claims or arbitration, including those pending or threatened against our Group, either as plaintiff or defendant, which has a material effect on the financial position of the Group.

B11 Dividend

The Board of Directors is pleased to propose a final single tier dividend of 4 sen per ordinary share, in respect of the financial year ended 30 April 2020 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting (30.4.2019: a final single tier dividend of 9 sen per ordinary share).

The dates of entitlement and payment will be advised later.

B12 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/04/2020	30/04/2019	30/04/2020	30/04/2019 (Audited)
<i>Earnings</i>				
Net profit for the year attributable to equity holders of the parent (RM'000)	9,567	10,354	32,230	47,742
Weighted average number of shares ('000)	290,382	290,626	290,382	290,626
Weighted average number of shares for diluted EPS ('000)	-*	-*	-*	-*
Basic earnings per share (sen)	3.29	3.56	11.10	16.43
Dilutive earnings per share (sen)	-	-	-	-

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



B13 Auditors' report of the preceding annual financial statement

The auditors' report of the preceding annual financial statement does not contain any modified opinion or material uncertainty related to going concern nor qualification.

B14 Items included in the Statement of Profit and Loss and Other Comprehensive Income

	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING YEAR
	30/04/2020 RM' 000	30/04/2019 RM' 000	30/04/2020 RM' 000	30/04/2019 RM' 000 (Audited)
<i>Profit before taxation is arrived at after (charging)/crediting:</i>				
Interest income	205	362	973	1,244
Other income including investment Income	2,968	3,417	5,796	7,396
Interest expense	(144)	-	(361)	(108)
Depreciation and amortization on PPE & IP	(1,084)	(1,016)	(4,656)	(4,638)
Depreciation and amortization on Right-use-of-assets	(809)	-	(1,935)	-
Provision for and write off of receivables	(1,832)	(199)	(2,105)	(270)
Provision for and write off of inventories	-	(460)	(447)	(1,561)
Gain/(loss) on disposal of quoted or unquoted investment and/or PPE	1,107	1,264	1,107	1,436
Foreign exchange gain/(loss):				
- Realised	6	50	247	348
- Unrealised	371	62	170	(34)
Gain/(loss) on derivatives	-	-	-	-
Impairment loss	-	-	(26)	-
Exceptional items	-	-	-	-