

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

Unaudited Interim Financial Report 30 April 2019

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



Quarterly report on consolidated results for the financial year ended 30 April 2019 The figures have not been audited.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 30 APRIL 2019

		IAL PERIOD Quarter)	CUMULATIVE PERIOD			
	CURRENT YEAR PRECEDING YEAR QUARTER CORRESPONDING		CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING		
	30/04/2019	QUARTER 30/04/2018	30/04/2019	YEAR 30/04/2018 (Audited)		
	RM'000	RM'000	RM'000	RM'000		
Revenue	69,942	110,564	328,354	461,696		
Cost of sales	(44,461)	(72,237)	(202,409)	(300,150)		
Gross Profit	25,481	38,327	125,945	161,546		
Other income	3,392	4,738	7,371	13,600		
Depreciation	(1,016)	(1,086)	(4,638)	(4,042)		
Administrative expenses	(5,676)	(5,269)	(24,426)	(27,132)		
Selling & distribution expenses	(8,221)	(14,493)	(40,772)	(48,005)		
Other expenses	(405)	(127)	(1,106)	(1,024)		
Operating Profit	13,555	22,090	62,374	94,943		
Interest income	352	439	1,234	1,660		
Finance costs	(18)	(7)	(127)	(117)		
Share of profit/(loss) of equity-accounted investee, net of tax	(16)	(21)	16	6		
Share of loss of associate company	-	-	-	-		
Profit before tax	13,873	22,501	63,497	96,492		
Tax expenses	(4,041)	(6,436)	(16,351)	(23,971)		
Profit after tax	9,832	16,065	47,146	72,521		
Profit attributable to:						
Owners of the parent	10,021	15,686	47,409	72,255		
Non-controlling interest	(189) 9,832	<u> </u>	(263) 47,146	266 72,521		
Earnings Per Share attributable to equity holders of the parent						
- Basic	3.45	5.40	16.31	24.88		
- Diluted		5.39	-	24.86		

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2018 and the accompanying explanatory notes attached to the interim financial statements.



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

Quarterly report on consolidated results for the financial year ended 30 April 2019 The figures have not been audited.

# CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 APRIL 2019

	INDIVIDUA (4th Qu	L PERIOD uarter)	CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER 30/04/2019	PRECEDING YEAR CORRESPONDING QUARTER 30/04/2018	CURRENT YEAR TO DATE 30/04/2019	PRECEDING YEAR CORRESPONDING YEAR 30/04/2018	
	RM'000	RM'000	RM'000	RM'000	
Profit for the year	9,832	16,065	47,146	72,521	
Other comprehensive income					
<ul> <li>Foreign currency translation differences for foreign operations</li> </ul>	9	175	39	287	
Total comprehensive Income for the year	9,841	16,240	47,185	72,808	
Total comprehensive income attributable to:					
Owners of the parent	10,030	15,861	47,448	72,542	
Non-controlling Interest	(189)	379	(263)	266	
	9,841	16,240	47,185	72,808	

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2018 and the accompanying explanatory notes attached to the interim financial statements.

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# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2019

ASSETS	AS AT CURRENT FINANCIAL YEAR ENDED 30/4/2019 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2018 (RM'000) (Audited)
Non-current assets		
Property, Plant and Equipment	94,319	83,344
Investment properties	48,486	55,950
Investment in jointly control entity	2,183	2,166
Investment in an associates Other Investments	- 12	- 12
Goodwill arising from consolidation	85	85
Trade receivables - non current	1,521	
Deferred tax assets		1,623
Deletted lax assels	1,095	1,615
	147,701	144,795
Current Assets		
Inventories	98,243	91,184
Trade and other receivables	23,608	33,406
Other Investments		
Financial assets at fair value through profit or loss	41,321	57 044
Cash and Cash Equivalents	53,796	57,941 68,674
	216,968	251,205
		· · · ·
TOTAL ASSETS	364,669	396,000
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	157,257	157,092
Treasury Shares	(24,053)	(21,581)
Other reserves Retained earnings	1,198 175,664	1,278 171,116
Netamou carnings	310,066	307,905
	,	,
Non-controlling interest	10,487	11,019
Total Equity	320,553	318,924
Non-current Liabilities		
Borrowings Deferred tax	- 983	- 400
Doloriou dat	983	400
Current Liabilities		
Trade & other payables	41,093	66,785
Short term borrowings Short-term provisions	289 1,530	1,405 3,248
Current tax payables	221	5,248
	43,133	76,676
Total Liabilities	44,116	77,076
TOTAL EQUITY AND LIABILITIES	364,669	396,000
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.07	1.06

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2018 and the accompanying explanatory notes attached to the interim financial statements.



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

# CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 APRIL 2019

	IAttributable to Equity Holders of the Parent INon distributableI Distril				tI Distributable		Non- controlling	Total Equity
	Share Capital	Treasury shares	Exchange fluctuation reserve	Capital reserve	Retained Earnings	Total	interest	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
12-month ended 30 April 2019								
Balance as at 1 May 2018	157,092	(21,581)	(56)	1,334	171,116	307,905	11,019	318,924
Initial application of MFRSs adjustments	-	-	-	-	682	682	-	682
Profit for the year Other comprehensive income for the year	-	-	- (39)	-	47,409 -	47,409 (39)	(263) -	47,146 (39)
Total comprehensive income for the year	-	-	(39)	-	47,409	47,370	(263)	47,107
Employees ' share option reserve	41	-	-	(41)	-	-	-	-
Share issued pursuant to ESOS	124	-	-	-	-	124	-	124
Acquisition on additional interest in a subsidiary from non-controlling interest	-		-	-	36	36	(51)	(15)
Dividend	-	-	-	-	(43,579)	(43,579)	(218)	(43,797)
Purchase of Company's own shares	-	(2,472)	-	-	-	(2,472)	-	(2,472)
Balance at end of financial year	157,257	(24,053)	(95)	1,293	175,664	310,066	10,487	320,553
12-month ended 30 April 2018								
Balance as at 1 May 2017	149,327	(19,687)	(343)	657	154,860	284,814	11,355	296,169
Profit for the year Other comprehensive income for the year	-	-	- 287	-	72,254	72,254 287	266	72,520 287
Total comprehensive income for the year	-	-	287	-	72,254	72,541	266	72,807
Share-based payment transactions	-	-	-	2,597	-	2,597	-	2,597
Share option exercised	7,766	-	-	(1,921)	-	5,845	-	5,845
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	213	213	(379)	(166)
Dividend	-	-	-	-	(58,196)	(58,196)	(223)	(58,419)
Resale of Company's treasury shares	-	1,355	-	-	1,985	3,340	-	3,340
Purchase of Company's own shares	-	(3,249)	-	-	-	(3,249)	-	(3,249)
Balance at end of financial year	157,093	(21,581)	(56)	1,333	171,116	307,905	11,019	318,924

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2018 and the accompanying explanatory notes attached to the interim financial statements.

# HAI-O ENTERPRISE BHD ( Co.No. 22544-D) CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE QUARTER ENDED 30 APRIL 2019

	2019 12-month ended 30/04/2019 (RM '000)	<u>2018</u> 12-month ended 30/04/2018 (RM '000) (Audited)
Profit before tax Adjustment for :-	63,497	96,492
Depreciation Dividend income Initial application of MFRSs adjustments Equity settled share-based payment transaction Fair value (gain)/loss on other investments Finance costs Finance income Gain/(loss) on disposal of property, plant and equipment Gain/(loss) on disposal of other investment Property, plant and equipment written off Share of profit of equity-accounted investee, net of tax Provision for sales campaign	4,638 (1,486) 570 - (38) 127 (1,234) (1,278) (159) 22 (16) 3,808	4,042 (2,165) - 2,597 (110) 117 (1,660) (1,297) (184) 82 (6) 7,600
Reversal of impairment gain Unrealised foreign exchange differences	- 34	(296) 369
Operating profit before changes in working capital	68,485	105,581
Changes in working capital Inventories Receipts from customers Net Change in other receivables Payment to suppliers, contractors and employees Net Change in other payables Payment of income taxes	(7,059) 8,735 1,782 (6,492) (14,862) (21,940) (39,836)	(19,477) (3,080) (167) (1,486) (3,898) (24,666) (52,774)
Net cash flows from operating activities	28,649	52,807
Investing Activities		
Accretion of equity interests in subsidiaries Acquisition of other investments Purchase of property, plant and equipment & IP Proceeds from disposal of other investment Proceeds from disposal of property, plant and equipment Dividend received Interest received	(15) (61,486) (8,295) 79,316 1,409 473 1,234	(166) (81,869) (22,051) 84,563 2,116 242 1,660
Net cash from/(used in) investing activities	12,636	(15,505)
Financing Activities Purchase of Company's own share Proceeds from issue of share Proceeds from resale of treasury share Dividend paid Interest paid Repayment / drawdown of trade facilities	(2,472) 124 - (52,525) (127) (1,116)	(3,249) 5,844 3,340 (49,691) (117) (1,641)
Net cash from/ (used in) financing activities	(56,116)	(45,514)
Net Changes in Cash & Cash Equivalents	(14,831)	(8,212)
Effect of exchange rate & fluctuations on cash held	(47)	38
Cash & Cash Equivalents at begining of financial year	68,674	76,848
Cash & Cash Equivalents at end of the financial year	53,796	68,674

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2018 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 the Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). This interim financial statement also complies with IAS 34, Interim Financial Reporting issued by the International Accounting Statements Board ("IASB").

The interim financial report should be read in conjunction with the most recent annual financial statements of the Group for the year ended 30 April 2018.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2018.

#### 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 2018 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 2018.

The MFRSs which are effective commencing 1 January 2018 and have significant impact on the financial statements of the Group are:

# MFRS 9, Financial Instruments

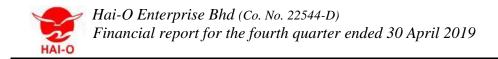
MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss, and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale financial assets.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs. The Group applied the simplified approach and record lifetime ECLs on all trade receivables.

The Group has elected not to restate comparative figures and has performed assessment on the impact on accounting for its financial assets as at 1 May 2018.

#### Impact as a result of MFRS 9 adoption

Retained earnings as at 1 May 2018	RM 171,115,866
ECL on trade and other receivables	(557,250)
Retained earnings as at the date of initial application of MFRS 9	<u>170,558,616</u>



#### MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following five-step models:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Under MFRS 15, any bundled goods or services that are distinct should be separately recognised and any discounts or rebates on the contract price should generally be allocated to the separate elements. Consideration payable to a customer should be accounted for as a reduction of the revenue unless the payment to the customer is in exchange for a distinct goods or services that the customer transfer to the entity. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point of time at the end of a contract may have to be recognised over the contract term and vice versa.

The Group adopted MFRS 15 using cumulative effect retrospective method of adoption. The comparative figures was not restated and the cumulative impact arising from the adoption was recognized in retained earnings as at 1 May 2018.

The Group's businesses comprise of Wholesale, Multi-Level Marketing, Retail and Others segments. Manufacturing and leasing business fall under Others segment. However Leasing business is scoped out under MFRS 15 as it is accounted for under MFRS 117 Leases.

Under MFRS 15, revenue is recognized when a customer obtains control of the goods. The overall revenue recognition requirements are captured in the steps of the five-step method.

The Group has assessed its sales of goods transactions and reviewed its marketing and promotional campaign to identify the performance obligation. The Group regards most of the sales transactions consist of a single performance obligation to transfer promised goods. The Group expects the revenue recognition to occur at a point in time when the customers take control of the goods. Hence, the Group concludes that there is no impact on the timing of revenue recognition.

The Group also needs to determine whether there is a significant financing component in the contract. The Group has evaluated and has concluded that there is no element of financing as the sales of goods are either on cash term or credit term.



For the adoption of MFRS 15, the Group has considered the followings:

#### Wholesale Division

Variable consideration

For the Wholesale division, the contract with customers provides a right of return. The Group used the most likely amount method to estimate the goods expected to be returned. Based on the assessment performed, it does not have a material effect on the Group's financial statements. The marketing plan of the Wholesale division includes giving A&P incentive to customers which gives rise to variable consideration. Previously, the Group classified the advertising & promotion ("A&P") incentive under marketing cost. The reclassification did not have any impact on the retained earnings as at 1 May 2018 but it reduced the revenue and marketing cost for the year ended 30 April 2019 by RM 957,408.

# Multi-level marketing Division

Variable consideration

#### Sales of goods and Right of return

The contract with customers provides a right of return which gives rise to variable consideration. The Group used the most likely amount method to estimate the goods expected to be returned and had previously provided a provision for goods returned of RM 0.4 million. Based on the assessment performed, it does not have a material effect on the Group's financial statements for the year ended 30 April 2019.

# Performance Bonus

Previously, the Group classified performance bonus paid to distributors in its Cost of Sales. Under MFRS 15, the Group is required to determine whether the consideration paid to its distributors is a payment for a distinct goods or services. The performance bonus paid to the distributors is categorized into two types: (i) Group network sales bonus and (ii) personal sales bonus. The Group is of the view that personal sales bonus is a reduction of transaction price whereas Group network sales bonus is a consideration paid to distributors for the provision of distinct services. The reclassification did not have any impact on the retained earnings as at 1 May 2018, but it reduced the revenue and cost of sales for the year ended 30 April 2019 by RM 8.0 million.



# New and renewed member fee

Previously, the Group classified member fees received over the time under other income. The reclassification from other income to revenue did not have any impact on the retained earnings as at 1 May 2018 but it increased the revenue and reduced other income by RM 5.54 million for the year ended 30 April 2019.

The marketing plan includes giving product voucher to new members or cash voucher to renewed members which has 3 months validity period for their future purchase of goods at a discounted price which gives rise to variable consideration. Previously, the Group classified the voucher redeemed as A&P expenses. The reclassification from A&P expenses to revenue did not have any impact on the retained earnings as at 1 May 2018 but it reduced the A&P expense and revenue by RM 1.51 million for the year ended 30 April 2019.

The Group has elected to adopt cumulative effect retrospective method, it will need to identify the opening and closing of contract liabilities. Based on the initial assessment, the Group adjusted the reduction of revenue of RM 1.49 million to reduce retained earnings as at 1 May 2018. The subsequent assessment of timing of revenue recognition reduced the revenue by RM 0.33 million for the year ended 30 April 2019.

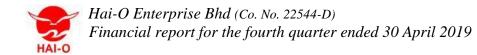
#### Rebate to customers

The marketing plan of the MLM division includes giving rebate to customers on products under promotion which gives rise to variable consideration. Previously, the Group classified rebate given to distributors in its cost of sales. Under MFRS 15, the reclassification did not have any impact on the retained earnings as at 1 May 2018 but it reduced the revenue and cost of sales for the year ended 30 April 2019 by RM 5.0 million.

# Retail division

# Variable consideration

The marketing plan of the Retail division includes giving cash voucher to members which has 3 months validity period for their future purchase of goods which gives rise to variable consideration. Previously, the Group classified the voucher redeemed as A&P expenses. The reclassification from A&P expenses to revenue did not have any impact on the retained earnings as at 1 May 2018 but it reduced the A&P expense and revenue by RM 0.22 million for the year ended 30 April 2019.



# Statement of financial position

The impact of adopting both MFRS 9 and MFRS 15 ("MFRS") to opening b	balances are as
follows:	

1 May 2018	As previously reported	Retrospective adjustment of MFRS	After MFRS Adjustments
	RM	RM	RM
Assets			
Deferred tax assets	1,615,208	25,645	1,640,853
Trade and other receivables	30,239,138	(557,250)	29,681,888
Impact to assets	31,854,346	(531,605)	31,322,741
Liabilities			
Contract liabilities	-	2,675,455	2,675,455
Trade and other payables	66,785,505	(4,168,544)	62,616,961
Current tax liabilities	5,237,521	280,055	5,517,576
Impact to liabilities	72,023,026	(1,213,034)	70,809,992
Equity			
Retained earnings	171,115,866	681,429	171,797,295

# A2 Seasonal or cyclical factors of interim operations

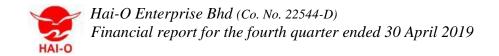
The Group's interim business operations are not significantly affected by seasonal or cyclical factors for the quarter under review except for some seasonal consumer products, which are affected by major festive seasons.

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

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

#### A4 Changes in estimates of amounts reported previously

There was no material changes in estimates of amounts reported in the 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 except for the following:-

	Number of Treasury shares	Total Cost Consideration RM
Balance as at 1 Feb 2019	9,932,388	24,053,244
Repurchased during the quarter	-	-
Balance as at 30 April 2019	9,932,388	24,053,244

i) The details of shares held as treasury shares for the year ended 30 April 2019 were as follows:

The repurchase transactions were financed by internally generated funds.

Subsequent to the fourth quarter ended 30 April 2019, there was no additional purchase of treasury shares.

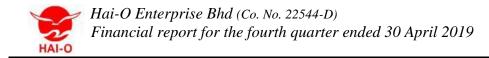
ii) The details of shares issued pursuant to ESOS for the year ended 30 April 2019 were as follows:

During the year under review, a total of 34,000 ESOS options were exercised at a subscription price of RM 3.63 per share and was granted with listing and quotation on the Main Market of Bursa Securities. As at 30 April 2019, the issued share capital of the Company increased to RM 157,256,450 and this included the further capitalisation of ESOS reserve to share capital of RM 40,572. With effect thereof, the total number of shares issued of the Company increased to 300,297,890.

Subsequent to the fourth quarter ended 30 April 2019, there was no ESOS options exercised.

#### A6 Dividend paid

The first single tier interim dividend of 4 sen, amounting to RM 11,614,620 in respect of the current financial year ended 30 April 2019 was paid on 7 March 2019.



# A7 Segment information

Details of segmental analysis for the year ended 30 April 2019 were 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	224,894	58,907	40,559	3,994	-	328,354
Inter-segment revenue	230	90,460	11	7,089	(97,790)	-
Total revenue	225,124	149,367	40,570	11,083	(97,790)	328,354
RESULT						
Segment profit/(loss)	46,452	10,198	838	4,294	592	62,374
Finance costs Interest income						(127)
Share of loss of equity-						1,234
accounted investee, net of tax						16
Profit before taxation					-	63,497
Income tax expenses					_	(16,351)
Net profit for the year					-	47,146

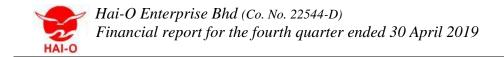
	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	128,767	166,842	32,760	36,300	-	364,669
Segment liabilities	21,604	18,888	1,866	1,758	-	44,116

#### A8 Property, plant and equipment

There was 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 was no material events subsequent to the year ended 30 April 2019.



# A10 Changes in the composition of the Group

There was no change in the composition of the Group during the interim period.

#### A11 Contingent liabilities

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

<u>Company</u>	As at 18/06/2019	As at 30/04/2019	As at 30/4/2018
	RM'000	<b>RM'000</b>	<b>RM'000</b>
Corporate guarantee in respect of credit facilities granted to subsidiary companies	Nil	Nil	Nil
<u>Group</u>	As at 18/06/2019	As at 30/04/2019	As at 30/4/2018
	RM'000	<b>RM'000</b>	<b>RM'000</b>
Bank guarantee given to third parties in respect of services rendered to the Company	628	628	819

# A12 Capital commitment

The capital commitment of the Group for the year ended 30 April 2019 was as follows:

#### Approved, contracted but not provided for

	<b>RM'000</b>
Property, plant and equipment	577
Total	577



# 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:

	Individual Period (4 <sup>th</sup> Quarter)				
	Before MFRS Adjustments	Effects of MFRS	After MFRS Adjustments	Preceding Year Corresponding Quarter	Changes
	30/04/2019 (RM '000)	(RM '000)	30/04/2019 (RM '000)	30/04/2018 (RM '000)	
Revenue	72,977	(3,035)	69,942	110,564	(36.7)%
Gross Profit	25,452	29	25,481	38,327	(33.5)%
Operating Profit	14,463	(908)	13,555	22,090	(38.6)%
Profit Before Tax	14,781	(908)	13,873	22,501	(38.3)%
Profit After Tax	10,740	(908)	9,832	16,065	(38.8)%
Profit Attributable					
to Ordinary Equity					
Holders of the Parent	10,929	(908)	10,021	15,686	(36.1)%

Financial review for current quarter and financial year to date

	Year-to-date ended				
	Before MFRS Adjustments 30/04/2019 (RM '000)	Effects of MFRS (RM '000)	After MFRS Adjustments 30/04/2019 (RM '000)	Preceding Year Corresponding Year 30/04/2018 (RM '000) (Audited)	Changes
Revenue	339,099	(10,745)	328,354	461,696	(28.9)%
Gross Profit	123,651	2,294	125,945	161,546	(22.0) %
Operating Profit	62,946	(572)	62,374	94,943	(34.3)%
Profit Before Tax	64,069	(572)	63,497	96,492	(34.2)%
Profit After Tax	47,718	(572)	47,146	72,521	(35.0)%
Profit Attributable to Ordinary Equity Holders of the					
Parent	47,981	(572)	47,409	72,255	(34.4)%



# Statement of profit & loss and other comprehensive income

For the year ended 30 April 2019, the Group recorded a lower revenue of RM 328.4 million which represented a decrease of 28.9% as compared to the previous financial year of RM 461.7 million, after factored in the impact of MFRS 9 and MFRS 15 which was effective on or after 1 January 2018. The decrease was mainly attributable to lower revenue generated from the Multi-level marketing ("MLM") and Wholesale divisions.

The Group's gross profit margin was 36.5% before the impact of MFRS 9 and MFRS 15 was factored in as compared to previous year of 35.0%, it improved by about 1.5% as a result of higher margin contribution from "small-ticket" items in the MLM division and higher sales contribution from Wholesale division which command a higher margin. However, the Group recorded a lower pre-tax profit of RM 63.5 million as compared to the preceding year of RM 96.5 million, a decrease of 34.2%. The decrease in pre-tax profit was mainly attributed to lower revenue registered and additional marketing and branding costs of approximately RM 1.4 million incurred during the financial year. In addition, a one-off 6% rebate on sales carried out in May 2018 prior to the abolishment of GST on 1 June 2018 amounting to RM 0.9 million and higher CSR cost of RM 1.4 million incurred during the year had further lowered the bottom line.

# Statement of financial position

The equity attributable to equity holders of the parent stood at RM 310.1 million as compared to previous financial year of RM 307.9 million, after taking into account the final dividend in respect of previous financial year 2018 of RM 31.9 million and an interim dividend of RM 11.6 million which was paid on 7 March 2019. During the year under review, a total of 34,000 ESOS options ("Hai-O shares") were exercised and listed on the Main Market of Bursa Securities. With effect thereof, the issued share capital increased to RM 157.3 million accordingly.

The Group's total assets as at 30 April 2019 stood at RM 364.7 million (FYE 30.4.2018: RM 396.0 million). The reduction in total assets by RM 31.3 million was mainly due to the decrease in cash and cash equivalents and short term investment after net of dividend paid out amounting to RM 52.5 million during the year ended 30 April 2019.

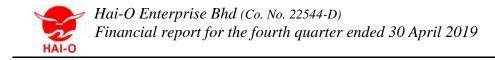
The Group's total liabilities was RM 44.1 million (FYE 30.4.2018: RM 77.1 million). This was mainly due to the decrease in trade and other payables and tax payables.

The net assets per share was RM 1.07 against previous financial year ended 30 April 2018 of RM 1.06.

# Statement of Cash Flow

The Group's cash and cash equivalents was RM 53.8 million.

The net cash flow from operating activities was RM 28.6 million primarily generated from the operating profit of the three main divisions with MLM and Retail divisions' sales mainly transacted in cash. The net cash inflow from investing activities was RM 12.6 million after net of proceeds from other investment and acquisition of property, plant and equipment. The net cash used in financing activities was an outflow of about RM 56.1 million after the dividend payment of RM 52.5 million and repurchased of treasury shares of RM 2.5 million. As a result, the Group recorded a net decrease in cash and cash equivalent by RM 14.8 million to RM 53.8 million in the current year.



#### Segmental Analysis

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

For the 4<sup>th</sup> quarter under review, the Group recorded a lower revenue and pre-tax profit of RM 69.9 million and RM 13.9 million as compared to RM 110.6 million and RM 22.5 million recorded in the preceding year's corresponding quarter, representing a decrease by 36.7% and 38.3% respectively:

#### (i) <u>MLM division</u>

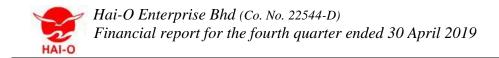
The revenue and pre-tax profit decreased by about 40.0% and 38.1% to RM 47.4 million and RM 10.4 million as compared to the preceding year's corresponding quarter of RM 79.1 million and RM 16.8 million, respectively. Lower number of members' recruitment and renewal coupled with lower sales registered had affected the financial performance of the division in the quarter under review. Furthermore, the poor response of the overseas incentive sales campaign which was carried out in the current quarter has resulted in a lower revenue.

#### (ii) <u>Wholesale division</u>

The external revenue decreased by 29.6% to about RM 12.0 million as compared to the preceding year's corresponding quarter of RM 17.0 million. Despite additional sales generated from patented medicine, the external revenue was offset by the drop in sales of other products. The lower pre-tax profit of RM 2.0 million recorded in Q4 FY 2019 was mainly attributable to lower sales from Chinese medicated tonic and vintage tea coupled with a lower contribution from inter-segment sales.

# (iii) <u>Retail division</u>

A higher base was recorded in the previous year's corresponding quarter, the Chinese New Year ("CNY") sales fell in the 4<sup>th</sup> quarter as opposed to 3<sup>rd</sup> quarter pre-CNY sales in this current financial year. Excluding the adjustment arising from MFRSs, the revenue was RM 10.1 million, decrease by 26.1% as compared to the preceding year's corresponding quarter. Furthermore, year-end members' sales promotion was slow as consumer sentiment remain subdued amidst weaker domestic economy. As a result, the division recorded a lower pre-tax profit of RM 0.4 million as compared to the preceding year's corresponding quarter of RM 1.4 million.



#### Current financial year-to-date compared to the preceding year-to-date

For the financial year under review, the Group recorded a lower revenue and pre-tax profit of RM 328.4 million and RM 63.5 million as compared to the preceding year of RM 461.7 million and RM 96.5 million, representing a decrease of 28.9% and 34.2% respectively. Excluding the adjustment arising from MFRSs, the revenue and pre-tax profit were RM 339.1 million and RM 64.1 million respectively:

# (i) <u>MLM division</u>

The division is continuously facing challenges during the year, the slow-down in members' recruitment and renewal had affected the financial performance of the division. It recorded a lower revenue of RM 224.9 million as compared to the preceding year of RM 352.6 million, a decrease of 36.2%. Excluding the adjustment arising from MFRSs, the revenue was RM 234.2 million. A higher base was recorded in the preceding year due to the overwhelming response from the 25<sup>th</sup> anniversary grand sales promotion and successful overseas incentive trip campaign in the last financial year.

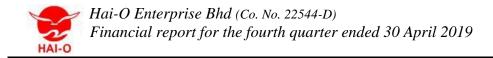
Despite additional contribution from newly launched "small ticket" items during the financial year, the MLM division recorded a lower pre-tax profit of RM 47.4 million as compared to the preceding year of RM 70.3 million. Furthermore, the sales promotion with an additional 6% rebate given to members prior to the abolishment of GST amounting to approximately RM 0.9 million was absorbed by the division. There was higher marketing & branding costs incurred approximately RM 1.4 million during the financial year.

#### (ii) <u>Wholesale division</u>

The division recorded a lower revenue of RM 58.9 million, a decrease of 7.4% as compared to the preceding year of RM 63.7 million. Despite additional sales generated from patented medicine, it was offset by the drop in sales of vintage tea and other products. The pre-tax profit was lower by 44.7% to about RM 11.0 million mainly due to lower revenue and contribution from inter-segment sales. Furthermore, higher CSR costs amounting to RM 1.4 million incurred during the financial year had further reduced the pre-tax profit.

#### (iii) <u>Retail division</u>

Excluding the adjustment arising from MFRSs, the revenue maintained at about RM 41.0 million. Consumer are cautious in spending especially on premium products as the overall sentiment in the retail industry remained weak coupled with rising cost of living, hence consumer spending has been scaled back. As a result, lower sale from premium food supplements which command higher margin coupled with high operating costs reduced the pre-tax profit by 39.1% to about RM 1.0 million as compared to the preceding year.



# (iv) <u>Others division</u>

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

Despite higher rental income from investment properties which increased by 25.0% to RM 3.7 million, it was offset by lower contribution from the manufacturing division. Hence, the pre-tax profit of Others division was lower by about 13.9% to RM 4.2 million.

# **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 30/04/2019	Immediate Preceding Quarter 31/01/2019	Changes
	(RM '000)	(RM '000)	
Revenue	69,942	86,156	(18.8)%
Gross Profit	25,481	32,617	(21.9)%
Operating Profit	13,555	16,650	(18.6)%
Profit Before Tax	13,873	16,924	(18.0)%
Profit After Tax	9,832	12,800	(23.2)%
Profit Attributable to Ordinary Equity Holders of the Parent	10,021	12,790	(21.6)%

For the 4<sup>th</sup> quarter under review, the Group recorded a lower revenue and pre-tax profit of RM 69.94 million and RM 13.9 million, decreased by 18.8% and 18.0% as compared with the immediate preceding quarter of RM 86.2 million and RM 16.9 million, respectively

#### (i) <u>MLM division</u>

The revenue and pre-tax profit decreased by 15.7% and 14.2% to RM 47.4 million and RM 10.4 million respectively as compared with the immediate preceding quarter. The overall consumer sentiment remained weak which had affected the spending power of the members, despite the launch of overseas incentive sales campaign in the 4<sup>th</sup> quarter, the response was not encouraging. Besides, lower number of members' recruitment and renewal had further affected the business activities during the quarter under review.



# (ii) <u>Wholesale division</u>

The revenue was lower by 26.1%, from RM 16.22 million to about RM 12.0 million as compared with the immediate preceding quarter. Higher base in the immediate preceding quarter was mainly driven by pre-CNY sales promotion and higher sales in Chinese medicated tonic. The pre-tax profit decreased by 32.4%, from RM 3.0 million to RM 2.0 million mainly due to lower sales from products which command higher margin and lower contribution from inter-segment sales.

# (iii) <u>Retail division</u>

Higher base in the immediate preceding quarter mainly driven by pre-CNY sales promotion, hence the revenue and pre-tax profit was lower by 23.7% and 8.5% to RM 9.6 million and RM 0.4 million respectively. Domestic consumption remained subdue and consumers are more cautious in spending. Hence, the revenue was lower despite a year end members' sales promotion been carried out in the 4<sup>th</sup> quarter.

# **B3** Commentary on prospects for the next financial year

The intensifying trade and technology dispute between the US and China and the Brexit impasse have created uncertainties in the global economy. This, coupled with the prolonged weak local consumer sentiment, has affected the Group's business as a whole.

The Group has gone through a challenging journey in the last preceding year. Moving forward, the Group will realign its business strategy and take proactive measures to mitigate the risks surrounding the business environment. The MLM division will develop more "small ticket" items with affordable prices to cater for market needs in view of lower spending power of its members. To sustain its member base, the division will realign its marketing strategies by reinforcing the ongoing digitalisation initiatives. The Wholesale division will focus on its core products which include Chinese medicated tonic and other health and wellness products, and will continue to widen its product portfolio by securing more product agencies. The Retail division will strengthen its business collaboration with Chinese physicians to complement its business. In addition, it will continue to develop more affordable house brand products to widen its product portfolio and will also improve its sales incentive scheme to increase the productivity of its outlet sales personnel.

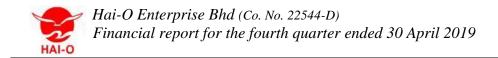
The Board of Directors expects the Group will remain profitable amidst the challenging environment in the next financial year.

# **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

Ageing analysis of trade receivables of the Group as at 30 April 2019 were as follow:

	RM '000
Not past due	13,269
Past due 1-30 days	1,687
Past due 31-60 days	464
Past due more than 60 days & not impaired Past due more than 60 days &	31
impaired	807
	16,258

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 is higher than the statutory tax rate due mainly to certain expenses which are not deductible for tax purpose and losses of certain subsidiary companies which cannot be set off against profit of certain subsidiaries as no Group relief is available for tax purposes :

	Current quarter ended	Current year to date
	30/04/2019 (RM '000)	30/04/2019 (RM '000)
Profit before taxation	13,873	63,497
Taxation at applicable tax rate – 24%	3,330	15,239
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in profit or loss		
	711	1,112
Total Income Tax Expenses	4,041	16,351

#### **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 were as follows :

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

Preceding year ended 30/04/2018					
Group Borrowings         Currency         Secured/         Type of           Unsecured         borrowings					
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,405	
Short Term Borrowings	Ringgit Malaysia	Secured	-	-	
Total 1,405					

The short-term borrowings comprised solely of trade facilities for working capital purpose which are denominated in RM currency. Apart from the working capital banking facilities, the Group does not have other drawn down banking facilities and the gearing level is negligible.

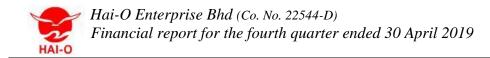
#### **B10** Changes in Material Litigation

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

# B11 Dividend

The Board of Directors is pleased to propose a final single tier dividend of 9 sen per ordinary share, in respect of the financial year ended 30 April 2019 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting (30/4/2018): a final single tier dividend of 11 sen per ordinary share).

The dates of entitlement and payment will be advised later.



# **B12** Earnings per share (EPS)

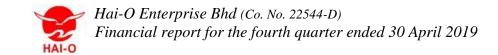
#### Earnings per share

	INDIVIDUAL PERIOD		CUMULAT	IVE PERIOD
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/04/2019	30/04/2018	30/04/2019	30/04/2018 (Audited)
Earnings				
Net profit for the year attributable to equity holders of the parent				
(RM'000)	10,021	15,686	47,409	72,255
Weighted average number of shares ('000)	290,622	290,377	290,622	290,377
Weighted average number of shares for diluted EPS ('000)	_*	290,683	_*	290,683
Basic earnings per share (sen)	3.45	5.40	16.31	24.88
Dilutive earnings per share (sen)	_*	5.39	_*	24.86

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

# **B13** Auditors' report of the preceding annual financial statement

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



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

	CURRENT YEAR QUARTER 30/04/2019 RM' 000	PRECEDING YEAR CORRESPONDING QUARTER 30/04/2018 RM' 000	CURRENT YEAR TO DATE 30/04/2019 RM' 000	PRECEDING YEAR CORRESPONDING PERIOD 30/04/2018 RM' 000
	KIVI 000			(Audited)
Profit before taxation is arrived at after (charging)/crediting:				
Interest income	352	439	1,234	1,660
Other income including investment				
Income	3,392	4,738	7,371	13,600
Interest expense	(18)	(7)	(127)	(117)
Depreciation and amortization	(1,016)	(1,086)	(4,638)	(4,042)
Provision for and write off of				
receivables	(200)	-	(271)	(176)
Provision for and write off of				
inventories	(460)	-	(1,561)	(290)
Gain/(Loss) on disposal of quoted or unquoted investment and/or				
PPE	1,265	200	1,437	1,481
Reversal of impairment of assets	-	-	-	225
Foreign exchange gain/(loss):				
- Realised	32	486	330	584
- Unrealised	62	302	(34)	369
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-