

B E S H O M

THE BEST STARTS FROM HOME

Beshom Holdings Berhad

(Registration No. 202101001114 (1401412-A))

(Incorporated in Malaysia)

Unaudited Interim Financial Report

31 January 2022

BESHOM HOLDINGS BERHAD

(Registration No. 202101001114 (1401412-A))

Quarterly report on consolidated results for the financial period ended 31 January 2022

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 31 JANUARY 2022

	INDIVIDUAL PERIOD (3rd Quarter)		CUMULATIVE PERIOD (3rd Quarter)	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2022	31/01/2021	31/01/2022	31/01/2021
	RM'000	RM'000	RM'000	RM'000
Revenue	59,404	67,229	164,289	204,612
Cost of sales	(34,745)	(41,157)	(97,655)	(126,275)
Gross Profit	24,659	26,072	66,634	78,337
Other income	349	1,059	2,674	3,747
Depreciation	(1,521)	(1,571)	(4,624)	(4,773)
Administrative expenses	(4,744)	(4,700)	(14,541)	(14,636)
Selling & distribution expenses	(7,811)	(6,902)	(19,154)	(21,221)
Other expenses	(130)	(361)	(477)	(850)
Operating Profit	10,802	13,597	30,512	40,604
Finance income	157	185	465	533
Finance costs	(53)	(74)	(172)	(214)
Share of profit/(loss) of equity-accounted investee, net of tax	(47)	(10)	(65)	(25)
Profit before tax	10,859	13,698	30,740	40,898
Tax expenses	(2,725)	(3,257)	(7,640)	(10,015)
Profit after tax	8,134	10,441	23,100	30,883
Profit attributable to:				
Owners of the parent	7,714	10,283	22,530	30,898
Non-controlling interest	420	158	570	(15)
	8,134	10,441	23,100	30,883
Earnings Per Share attributable to equity holders of the parent				
- Basic	2.62	3.54	7.64	10.65
- Diluted	-	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2021 and the accompanying explanatory notes attached to the interim financial statements.

BESHOM HOLDINGS BERHAD

(Registration No. 202101001114 (1401412-A))

Quarterly report on consolidated results for the financial period ended 31 January 2022

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JANUARY 2022**

	INDIVIDUAL PERIOD (3rd Quarter)		CUMULATIVE PERIOD (3rd Quarter)	
	CURRENT YEAR QUARTER 31/01/2022	PRECEDING YEAR CORRESPONDING QUARTER 31/01/2021	CURRENT YEAR TO DATE 31/01/2022	PRECEDING YEAR CORRESPONDING PERIOD 31/01/2021
	RM'000	RM'000	RM'000	RM'000
Profit for the period	8,134	10,441	23,100	30,883
Other comprehensive income				
- Foreign currency translation differences for foreign operations	(273)	22	334	609
Total comprehensive Income for the period	7,861	10,463	23,434	31,492
Total comprehensive income attributable to:				
Owners of the parent	7,441	10,305	22,864	31,507
Non-controlling Interest	420	158	570	(15)
	7,861	10,463	23,434	31,492

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2021 and the accompanying explanatory notes attached to the interim financial statements.

BESHOM HOLDINGS BERHAD

(Registration No. 202101001114 (1401412-A))

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2022

	AS AT CURRENT FINANCIAL QUARTER ENDED 31/01/2022 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2021 (RM'000) (Audited)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	82,389	84,591
<i>Investment properties</i>	43,656	44,175
<i>Right-of-use assets</i>	10,802	11,328
<i>Investment in jointly control entity</i>	2,055	2,120
<i>Other Investments</i>	112	12
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	1,454	852
<i>Deferred tax assets</i>	2,877	3,158
	143,430	146,321
Current Assets		
<i>Inventories</i>	89,375	89,311
<i>Trade and other receivables</i>	22,590	22,415
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	64,700	58,904
<i>Cash and Cash Equivalents</i>	42,656	54,549
	219,321	225,179
TOTAL ASSETS	362,751	371,500
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	312,978	157,257
<i>Treasury Shares</i>	-	(26,684)
<i>Other reserves</i>	(155,050)	943
<i>Retained earnings</i>	153,676	181,244
	311,604	312,760
Non-controlling interest	11,757	10,340
Total Equity	323,361	323,100
Non-current Liabilities		
<i>Lease Liabilities</i>	2,370	2,778
<i>Deferred tax</i>	449	484
	2,819	3,262
Current Liabilities		
<i>Trade & other payables</i>	30,122	36,597
<i>Short-term provisions</i>	1,489	987
<i>Lease Liabilities</i>	1,610	1,628
<i>Contract Liabilities</i>	2,619	2,518
<i>Current tax payables</i>	731	3,408
	36,571	45,138
Total Liabilities	39,390	48,400
TOTAL EQUITY AND LIABILITIES	362,751	371,500
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.04	1.08

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2021 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 JANUARY 2022

	Attributable to Equity Holders of the Parent						Distributable Retained Earnings	Total	Non-controlling interest	Total Equity
	Share Capital	Treasury shares	Non distributable		Capital reserve	Share option reserve				
	(RM'000)	(RM'000)	Reorganisation reserve	Exchange fluctuation reserve	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
9-month ended 31 January 2022										
Balance as at 1 May 2021	**	(26,684)	157,257	(218)	657	504	181,233	312,749	10,340	323,089
Profit for the period	-	-	-	-	-	-	22,530	22,530	570	23,100
Other comprehensive income for the period	-	-	-	334	-	-	-	334	-	334
Total comprehensive income for the period	-	-	-	334	-	-	22,530	22,864	570	23,434
Issuance of shares pursuant to internal reorganisation	312,978	-	(312,978)	-	-	-	-	-	-	-
Acquisition of additional interest in a subsidiary by non-controlling interest	-	-	-	-	-	-	-	-	1,260	1,260
Acquisition of additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	188	188	(216)	(28)
Purchase of Company's own shares	-	(189)	-	-	-	-	-	(189)	-	(189)
Cancellation of Company's own shares	-	433	(102)	-	-	-	(331)	-	-	-
Termination of ESOS	-	-	-	-	-	(504)	504	-	-	-
Dividend	-	26,440	-	-	-	-	(50,448)	(24,008)	(197)	(24,205)
Balance at end of financial period	312,978	-	(155,823)	116	657	-	153,676	311,604	11,757	323,361
9-month ended 31 January 2021										
Balance as at 1 May 2020	157,257	(24,158)	-	(90)	657	526	165,394	299,586	10,603	310,189
Profit for the period	-	-	-	-	-	-	30,898	30,898	(15)	30,883
Other comprehensive income for the period	-	-	-	609	-	-	-	609	-	609
Total comprehensive income for the period	-	-	-	609	-	-	30,898	31,507	(15)	31,492
Acquisition of additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	167	167	(254)	(87)
Dividend	-	-	-	-	-	-	(23,173)	(23,173)	(101)	(23,274)
Purchase of Company's own shares	-	(1,504)	-	-	-	-	-	(1,504)	-	(1,504)
Balance at end of financial period	157,257	(25,662)	-	519	657	526	173,286	306,583	10,233	316,816

** Represents RM 2.00

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2021 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE QUARTER ENDED 31 JANUARY 2022

	2022 9-month ended 31/01/2022 (RM '000)	2021 9-month ended 31/01/2021 (RM '000)
Profit before tax	30,740	40,898
Adjustment for :-		
Depreciation on property, plant and equipment & IP	3,326	3,347
Depreciation on right-of-use assets	1,298	1,426
Dividend income	(707)	(722)
Fair value (gain)/loss on other investments	4	(77)
Finance costs	172	214
Finance income	(465)	(533)
Loss/(Gain) on disposal of property, plant and equipment	(18)	(1,079)
Property, plant and equipment written off	5	17
Share of profit of equity-accounted investee, net of tax	65	25
Provision for sales campaign	1,395	1,693
Unrealised foreign exchange differences	(117)	34
Operating profit before changes in working capital	35,698	45,243
Changes in working capital		
<i>Inventories</i>	(64)	5,180
<i>Receipts from customers</i>	(426)	(2,033)
<i>Net Change in other receivables</i>	498	(1,378)
<i>Payment to suppliers, contractors and employees</i>	(1,680)	(5,257)
<i>Net Change in other payables</i>	(4,524)	805
	(6,196)	(2,683)
Cash generated from operations		
<i>Payment of income taxes</i>	(10,920)	(5,647)
<i>Finance cost</i>	(172)	(214)
Net cash flows from operating activities	18,410	36,699
Investing Activities		
<i>Accretion of equity interests in subsidiary</i>	(28)	(87)
<i>Acquisition of other investments</i>	(17,707)	(15,600)
<i>Purchase of property, plant and equipment & IP</i>	(395)	(1,481)
<i>Proceeds from disposal of other investment</i>	12,514	-
<i>Proceeds from disposal of property, plant and Equipment</i>	33	1,191
<i>Interest received</i>	465	533
Net cash from/(used in) investing activities	(5,118)	(15,444)
Financing Activities		
<i>Purchase of Company's own share</i>	(189)	(1,504)
<i>Dividend paid</i>	(24,205)	(20,405)
<i>Payment of lease liabilities</i>	(1,298)	(1,395)
Net cash from/(used in) financing activities	(25,692)	(23,304)
Net Changes in Cash & Cash Equivalents	(12,400)	(2,049)
Effect of exchange rate & fluctuations on cash held	507	608
Cash & Cash Equivalents at beginning of financial period	54,549	57,964
Cash & Cash Equivalents at end of the financial period	42,656	56,523

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PART A -- Notes To The Interim Financial Report

A1 Basis of preparation

The interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”). This interim financial statement also complies with IAS 34, Interim Financial Reporting issued by the International Accounting 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 2021.

On 29 November 2021, Beshom Holdings Bhd (“the Company”) completed the Proposed Internal Reorganisation by way of Scheme of Arrangement under Section 366 of the Companies Act, 2016.

On completion of the Proposed Internal Reorganisation, the Company assumes the listing status of Hai-O Enterprise Bhd (“HOE”), and HOE became a wholly owned subsidiary of the Company.

The Proposed Internal Reorganisation does not result in any change of economic substance of the group. Accordingly, the comparative figures in the consolidated financial statements are presented as if the reorganisation had been effected from the beginning of the earliest period presented.

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 2021.

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 2021 except for the adoption of new standards, amendments and interpretation that have been issued by the Malaysian Accounting Standards Board (“MASB”) which are effective for annual periods beginning on or after 1 January 2021 as stated below:

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

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

The adoption of the above accounting standards, amendments and interpretation are not expected to have any material financial impacts to the current period and prior period financial statements of the Group.

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A2 Seasonal or cyclical factors of interim operations

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

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

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

A4 Changes in estimates of amounts reported previously

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

A5 Issues, repurchase and repayments of debts and equity securities

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

A6 Dividend paid

A single tier interim dividend of 3 sen per share amounting to RM 9,003,097 in respect of the current financial year ending 30 April 2022 was paid on 25 January 2022.

A7 Segment information

Details of segmental analysis for the period ended 31 January 2022 are as follows:

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE						
Revenue from external customers	93,592	39,415	28,253	3,029	-	164,289
Inter-segment revenue	78	47,467	3	5,351	(52,899)	-
Total revenue	93,670	86,882	28,256	8,380	(52,899)	164,289
RESULT						
Segment profit/(loss)	17,493	7,371	3,087	2,492	69	30,512
Finance costs						(172)
Interest income						465
Share of loss of equity-accounted investee, net of tax						(65)
Profit before taxation						30,740
Income tax expenses						(7,640)
Net profit for the period						23,100

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A7 Segment information (continued)

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	105,767	168,280	38,814	49,890	-	362,751
Segment liabilities	18,431	13,715	6,104	1,140	-	39,390

A8 Property, plant and equipment

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

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

There were no material events subsequent to the period ended 31 January 2022.

A10 Changes in the composition of the Group

There was no change in the composition of the Group during the period ended 31 January 2022 except for the following:

- (i) On 29 November 2021, the Company completed the Proposed Internal Reorganisation by way of Scheme of Arrangement under Section 366 of the Companies Act, 2016. On completion of the Proposed Internal Reorganisation, the Company assumes the listing status of HOE, and HOE became a wholly owned subsidiary of the Company.
- (ii) HOE acquired additional 10,000 shares in Hai-O Raya Bhd for a total cash consideration of RM 28,000.

A11 Contingent liabilities

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

<u>Group</u>	As at 18/03/2022	As at 31/01/2022	As at 30/4/2021
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Group	1,034	1,034	1,584

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A12 Capital commitment

The capital commitment of the Group for the period ended 31 January 2022 is as follows:

Approved, contracted but not provided for	
RM'000	
Capital Investment	7,684
Property, plant and equipment	335
Total	8,019

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

B1 A detailed analysis of the performance of key 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 (3 rd quarter)		Changes	Cumulative Period		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	31/01/2022 (RM '000)	31/01/2021 (RM '000)		31/01/2022 (RM '000)	31/01/2021 (RM '000)	
Revenue	59,404	67,229	(11.6%)	164,289	204,612	(19.7%)
Gross Profit	24,659	26,072	(5.4%)	66,634	78,337	(14.9%)
Operating Profit	10,802	13,597	(20.6%)	30,512	40,604	(24.9%)
Profit Before Tax	10,859	13,698	(20.7%)	30,740	40,898	(24.8%)
Profit After Tax	8,134	10,441	(22.1%)	23,100	30,883	(25.2%)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	7,714	10,283	(25.0%)	22,530	30,898	(27.1%)

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Statement of Profit & Loss and Other Comprehensive Income

The Group's revenue was affected by the re-imposition of MCOs in the first half of the current finance year to combat the resurgence of the COVID-19 pandemic. For the nine months ended 31 January 2022, the Group recorded lower revenue of RM 164.3 million, a decrease of 19.7% as compared to the previous corresponding period of RM 204.6 million. The increase in Retail revenue was not able to offset with the drop in Group revenue. Gross profit margin improved to 40.6% from 38.3% in the previous corresponding period, thanks to a favourable change of sales mix and price adjustments on selected Wholesale products and higher margin contribution from house brand products in Retail division during the period under review.

Statement of Financial Position

The equity attributable to equity holders of the parent stood at RM 311.6 million as at 31 January 2022 (FYE 30.4.2021: RM 312.8 million), mainly after taking into account net profit attributable to owners of the Company amounting to RM 22.5 million, second interim dividend of RM 15.0 million in respect of previous financial year ended 30 April 2021 and an interim dividend of RM 9.0 million in respect of current financial year ending 30 April 2022.

The Group's total assets as at 31 January 2022 stood at RM 362.8 million (FYE 30.4.2021: RM 371.5 million). The decrease in total assets by RM 8.7 million was mainly due to the decrease in cash and cash equivalents after netting off dividends paid amounting to RM 24.2 million during the period under review.

Total liabilities of the Group decreased by RM 9.0 million to RM 39.4 million (FYE 30.4.2021: RM 48.4 million) mainly due to the decrease in trade and other payables.

Net asset per share was recorded at RM 1.04 as at 31 January 2022, against previous financial year ended 30 April 2021 of RM 1.08.

Statement of Cash Flow

The Group's cash and cash equivalents and short-term investments totalled RM 107.4 million as at 31 January 2022.

Net cash flow from operating activities amounted to RM 18.4 million, primarily generated from operating profits of the three main divisions, with the MLM and Retail divisions' sales mainly transacted in cash. Net cash used in investing activities including the purchase of other investment and property, plant and equipment amounting to total outflow of RM 5.1 million. Net cash used in financing activities of RM 25.7 million was mainly utilised for dividend payment of RM 24.2 million including dividend payment to non-controlling interest. As a result, the Group's cash and cash equivalents decreased by RM 11.9 million to RM 42.7 million as at current financial period ended 31 January 2022.

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Segmental Analysis

Current quarter compared to the preceding year's corresponding quarter

(i) MLM division

MLM revenue and pre-tax profit decreased by 29.0% and 52.5% to RM 28.0 million and RM 4.3 million, as compared to the preceding year's corresponding quarter of RM 39.5 million and RM 8.9 million respectively. Despite the gradual recovery in the domestic economy since the reopening of business and social activities, rising inflation has affected the overall confidence and spending power of members. Members have been less active since the unprecedented flood that ravaged certain parts of the country in December 2021, while the higher COVID-19 infection cases reported among members has further dampened sentiments and business activity.

(ii) Wholesale division

Divisional revenue and pre-tax profit increased marginally by 3.8% to RM 17.2 million as compared to the preceding corresponding quarter of RM 16.5 million, mainly attributed to higher sales generated from Chinese New Year ("CNY") festive promotion.

Pre-tax profit increased by 9.7% to RM 4.0 million in tandem with higher revenue and higher margin following price adjustments on selected products.

(iii) Retail division

Following the relaxation of COVID-19 movement restrictions, consumer sentiment has started to improve. The aggressive on-line and off-line sales promotion campaign carried out during the CNY festive season have lifted Retail revenue by 37.2% to RM 13.1 million from the lower base in the preceding year's corresponding quarter which was hard hit by the pandemic. Furthermore, an extensive sales promotion for a premium house brand product has received good response from its Loyalty Friendship members.

Pre-tax profit increased three-fold to RM 2.0 million in tandem with higher revenue and higher contribution from house brand products which carried higher margins.

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

For the nine months ended 31 January 2022, the Group recorded lower revenue and pre-tax profit of RM 164.3 million and RM 30.7 million, as compared to RM 204.6 million and RM 40.9 million, representing a decrease of 19.7% and 24.8% respectively from the corresponding period of the preceding year:

(i) MLM division

Divisional revenue and pre-tax profit decreased by 29.6% and 35.7% to RM 93.6 million and RM 17.6 million, as compared to the preceding year's corresponding period of RM 133.0 million and RM 27.4 million respectively. Revenue in the previous year's corresponding period was boosted by the overwhelming response to Duit Raya and other sales campaigns, coupled with a higher distributor base.

The weak performance reflected the extremely challenging environment with persistent market uncertainties, fragile sentiment and rising inflationary pressures which took a toll on the purchasing power of members. The division was also hit by a spate of COVID-19 cases among members which further curtailed business activity. To mitigate the impact, the division will re-strategize its marketing activities to motivate and energize members' productivity. Meanwhile, the division will continue to explore cost optimisation measures and further leverage on e-commerce platforms which contributed about 28% of the total revenue.

(ii) Wholesale division

The Wholesale division posted a 7.2% decline in revenue to RM 39.4 million in the nine-month ended 31 January 2022, compared to the preceding year's corresponding period of RM 42.5 million.

The performance of the Wholesale division was affected by various restrictions imposed during the first half of the financial year, and was further dampened by disruptions in supply and logistic globally. However, with the relaxation of movement restrictions, all Chinese medical halls and restaurants have resumed business with normal operating hours and consumer sentiment has also started to improve. The division has launched extensive sales promotion campaigns especially during CNY which helped to offset the drop in revenue in the first half of the financial year.

Despite the improved third quarter, pre-tax profit for the nine months ended 31 January 2022 still decreased from RM 10.7 million to RM 7.8 million due to the depressed first half and the absence of an one-off gain from the disposal of vintage tea amounting to RM 0.9 million in the preceding year's corresponding period.

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Current financial period compared to the preceding year's corresponding period (continued)

(iii) Retail division

Divisional revenue of RM 28.3 for the nine months ended 31 January 2022 was 10.1% higher than the depressed base in the previous year's corresponding period, mainly driven by higher sales generated from CNY and other sales campaigns carried out at the outlets and via various e-commerce platforms. In addition, extensive sales promotion for a premium house brand product was very well received by its Loyalty Friendship members. Consumers have become more health conscious especially during the pandemic and hence are more willing to spend on health supplements.

Pre-tax profit increased more than five-fold to RM 3.0 million in tandem with higher revenue and higher margin for house brand products and was further aided by cost optimization measures carried out during the period under review.

(iv) Other division

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

During the period under review, despite higher contribution from the manufacturing division which enjoyed greater demand for health supplement products, pre-tax profit was maintained at RM 2.5 million after offsetting operating costs for the newly formed investment holding company which was classified under this division.

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

Financial review for current quarter compared with the immediate preceding quarter

	Current Year Quarter	Immediate Preceding Quarter	Changes
	31/01/2022 (RM '000)	31/10/2021 (RM '000)	
Revenue	59,404	55,749	6.6%
Gross Profit	24,659	21,198	16.3%
Operating Profit	10,802	10,415	3.7%
Profit Before Tax	10,859	10,487	3.5%
Profit After Tax	8,134	7,920	2.7%
Profit Attributable to Ordinary Equity Holders of the Parent	7,714	7,816	(1.3%)

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Financial review for current quarter compared with the immediate preceding quarter (continued)

Since the reopening of economy activities, consumer sentiments have gradually improved. This, coupled with aggressive CNY festive promotion campaigns, have helped to lift Wholesale and Retail revenue to RM 17.2 million and RM 13.1 million respectively in the quarter ended 31 January 2022, up 50.1% and 67.4% from the immediate preceding quarter. After incorporating weaker MLM performance, Group revenue and pre-tax profit increased by 6.6% and 3.5% to RM 59.4 million and RM 10.9 million respectively over the same corresponding period.

(i) MLM division

MLM revenue and pre-tax profit fell 21.0% and 40.2% to RM28.0 million and RM 4.3 million respectively from the immediate preceding quarter. Higher sales of essential and affordable “small-ticket” items on the back of sales campaigns have boosted revenue in the preceding quarter. In contrast, the latest quarter under review was affected by lower number of new recruitments, long year-end holidays, as well as the recent unprecedented flood that ravaged certain parts of the country and higher COVID-19 infection cases reported among members which dampened sentiment and business activity.

(ii) Wholesale division

Wholesale revenue rose to RM 17.2 million, an increase of 50.1% as compared with the immediate preceding quarter of RM 11.4 million, mainly attributed to higher CNY festive promotion while also reflected the lower base in the immediate preceding quarter when some Chinese medical halls, liquor shops and restaurants were not fully opened.

Pre-tax profit doubled to RM 4.0 million in tandem with higher revenue and a favourable change of sales mix.

(iii) Retail division

Retail revenue increased by 67.4% to RM 13.1 million as compared with the immediate preceding quarter of RM 7.9 million, mainly driven by higher sales generated from CNY festive season campaign and premium house brand products. Since the reopening of economy and social activities, sentiments have gradually improved and consumers are more willing to spend as evidenced from the increase in customers traffic in most of the outlets.

Pre-tax profit increased two-fold to RM 2.0 million, thanks to higher revenue and higher margin for house brand products.

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3 Commentary on prospects for the next quarter

Domestic consumption is expected to improve with the reopening of business and social activities, thanks to the high vaccination coverage of more than 90% of the adult population. With inter-state travel being allowed, the MLM division plans to intensify members' recruitment and retention to strengthen its members' base and will also organize more physical activities to build up its distributors' momentum. While the Wholesale and Retail divisions have stepped up in recent quarters to cushion the weaker MLM performance, the MLM division is working hard to counter the persistent challenges and return to its growth trajectory. Meanwhile, both the Wholesale and Retail divisions will undertake more sales promotions to capitalize on the improvement in consumer sentiments and to penetrate the younger consumer market. Among others, the year-end loyalty members' sale promotion for the Retail division in the next quarter will contribute additional revenue to the Group.

On the global front, the recent geopolitical tension is posing an extensive and far-reaching impact, manifesting in supply constraints to logistic disruptions and elevated inflation risks which threaten the global economy. Malaysia, which is moving towards the endemic phase of COVID-19, is likely to face new external challenges which could impede the long-awaited domestic recovery. Noting that the business environment will continue to remain difficult, the Group will re-assess its strategies to mitigate the negative impact and uncertainties ahead, especially bearing in mind the risks of logistic disruptions as well as higher logistics and import costs.

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

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

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

B5 Profit forecast / profit guarantee previously announced

There were no profit forecast or profit guarantee previously announced.

B6 Trade Receivables

Ageing analysis of trade receivables of the Group as at 31 January 2022 is as follow:

	RM '000
Not past due	15,164
Past due 1-30 days	815
Past due 31-60 days	152
Past due more than 60 days & not impaired	165
	<u>16,296</u>

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

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B7 Taxation

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

For the financial period to date, the effective tax rate of the Group was higher than the statutory tax rate due mainly to certain expenses which were not deductible for tax purpose and losses of certain subsidiary companies which could not be set off against profits of certain subsidiaries as no Group relief was available for tax purposes.

	Current quarter ended 31/01/2022 (RM '000)	Current year to date 31/01/2022 (RM '000)
Profit before taxation	10,859	30,740
Taxation at applicable tax rate – 24%	2,606	7,378
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in the profit or loss	119	262
Total Income Tax Expenses	2,725	7,640

B8 Status of Corporate Proposals

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

B9 Group Borrowings and Debts Securities

The Group borrowings and debts securities as at 31 January 2022 were as follows:

Current Quarter ended 31/01/2022				
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 Quarter ended 31/01/2021				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowings	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	-
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				-

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

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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 declared

There is no interim dividend declared in the quarter under review (31/1/2021: nil).

12 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2022	31/01/2021	31/01/2022	31/01/2021
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent (RM'000)	7,714	10,283	22,530	30,898
Weighted average number of shares ('000)	294,753	290,131	294,753	290,131
Weighted average number of shares for diluted EPS ('000)	- *	- *	-*	-*
Basic earnings per share (sen)	2.62	3.54	7.64	10.65
Dilutive earnings per share (sen)	-	-	-	-

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

B13 Auditors' report of the preceding annual financial statement

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

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

	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2022 RM' 000	31/01/2021 RM' 000	31/01/2022 RM' 000	31/01/2021 RM' 000
<i>Profit before taxation is arrived at after (charging)/crediting:</i>				
Interest income	157	185	465	533
Other income including investment Income	349	1,059	2,674	3,747
Interest expense	(53)	(74)	(172)	(214)
Depreciation and amortization on PPE & IP	(1,098)	(1,155)	(3,326)	(3,347)
Depreciation and amortization on Right-use-of-assets	(423)	(416)	(1,298)	(1,426)
Provision for and write off of receivables	(19)	(251)	(34)	(257)
Provision for and write off of inventories	(195)	(25)	(615)	(330)
Gain or (loss) on disposal of quoted or unquoted investment and/or PPE	22	165	18	1,079
Foreign exchange gain/(loss):				
- Realised	155	107	316	361
- Unrealised	44	54	117	(34)
Gain or loss on derivatives	-	-	-	-
Impairment loss	-	-	-	-
Reversal of impairment loss of inventories	4	43	42	440
Exceptional items	-	-	-	-

B15 The interim financial statements were authorised for issue by the Board of Directors on 25 March 2022.