



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

Unaudited Interim Financial Report
31 January 2020



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

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

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

	INDIVIDUAL PERIOD (3rd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2020	31/01/2019	31/01/2020	31/01/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	67,021	86,156	201,471	258,412
Cost of sales	(39,833)	(53,539)	(125,053)	(157,948)
Gross Profit	27,188	32,617	76,418	100,464
Other income	751	1,862	2,828	3,979
Depreciation	(1,593)	(1,259)	(4,700)	(3,622)
Administrative expenses	(5,363)	(4,988)	(17,522)	(18,750)
Selling & distribution expenses	(9,318)	(11,452)	(25,216)	(32,551)
Other expenses	(862)	(130)	(1,645)	(701)
Operating Profit	10,803	16,650	30,163	48,819
Finance income	253	288	768	882
Finance costs	(71)	(32)	(217)	(109)
Share of profit/(loss) of equity-accounted investee, net of tax	(2)	18	13	32
Profit before tax	10,983	16,924	30,727	49,624
Tax expenses	(3,074)	(4,124)	(8,010)	(12,310)
Profit after tax	7,909	12,800	22,717	37,314
Profit attributable to:				
Owners of the parent	7,599	12,790	22,660	37,388
Non-controlling interest	310	10	57	(74)
	7,909	12,800	22,717	37,314
Earnings Per Share attributable to equity holders of the parent				
- Basic	2.62	4.40	7.80	12.86
- Diluted	-	4.39	-	12.85

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 period ended 31 January 2020
The figures have not been audited.

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

	INDIVIDUAL PERIOD (3rd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/01/2020	PRECEDING YEAR CORRESPONDING QUARTER 31/01/2019	CURRENT YEAR TO DATE 31/01/2020	PRECEDING YEAR CORRESPONDING PERIOD 31/01/2019
	RM'000	RM'000	RM'000	RM'000
Profit for the period	7,909	12,800	22,717	37,314
Other comprehensive income				
- Foreign currency translation differences for foreign operations	(8)	(65)	47	(35)
Total comprehensive Income for the period	7,901	12,735	22,764	37,279
Total comprehensive income attributable to:				
Owners of the parent	7,591	12,725	22,707	37,353
Non-controlling Interest	310	10	57	(74)
	7,901	12,735	22,764	37,279

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 31 JANUARY 2020**

	AS AT CURRENT FINANCIAL QUARTER ENDED 31/01/2020 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2019 (RM'000) (Audited)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	87,064	97,147
<i>Investment properties</i>	53,183	45,659
<i>Right-of-use assets</i>	4,172	-
<i>Investment in jointly control entity</i>	2,201	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>	1,288	1,521
<i>Deferred tax assets</i>	663	1,025
	148,668	147,637
Current Assets		
<i>Inventories</i>	91,832	98,122
<i>Trade and other receivables</i>	26,320	23,364
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	38,394	41,321
<i>Cash and Cash Equivalents</i>	52,903	53,792
	209,449	216,599
TOTAL ASSETS	358,117	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>	(24,137)	(24,053)
<i>Other reserves</i>	998	951
<i>Retained earnings</i>	162,593	176,064
	296,711	310,219
Non-controlling interest	10,612	10,456
Total Equity	307,323	320,675
Non-current Liabilities		
<i>Borrowings</i>	-	-
<i>Lease Liabilities</i>	2,065	-
<i>Deferred tax</i>	567	643
	2,632	643
Current Liabilities		
<i>Trade & other payables</i>	41,615	38,536
<i>Short term borrowings</i>	316	289
<i>Short-term provisions</i>	1,640	1,529
<i>Lease Liabilities</i>	3,096	-
<i>Contract Liabilities</i>	1,490	1,723
<i>Current tax payables</i>	5	841
	48,162	42,918
Total Liabilities	50,794	43,561
TOTAL EQUITY AND LIABILITIES	358,117	364,236
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.02	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 CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 JANUARY 2020**

	2020 9-month ended 31/01/2020 (RM '000)	2019 9-month ended 31/01/2019 (RM '000)
Profit before tax	30,727	49,624
Adjustment for :-		
Depreciation on property, plant and equipment & IP	3,573	3,622
Depreciation on right-of-use assets	1,127	-
Dividend income	(991)	(1,121)
Fair value (gain)/loss on other investments	(172)	1
Finance costs	217	109
Finance income	(768)	(882)
Gain/(loss) on disposal of property, plant and equipment	-	(180)
Gain/(loss) on disposal of other investment	-	8
Property, plant and equipment written off	6	16
Share of profit of equity-accounted investee, net of tax	(13)	(32)
Provision for sales campaign	111	(1,006)
Unrealised foreign exchange differences	201	96
Operating profit before changes in working capital	34,018	50,255
Changes in working capital		
<i>Inventories</i>	6,290	(8,171)
<i>Receipts from customers</i>	(835)	5,957
<i>Net Change in other receivables</i>	828	(1,718)
<i>Payment to suppliers, contractors and employees</i>	(6,082)	(7,363)
<i>Net Change in other payables</i>	50	(9,193)
	251	(20,488)
Cash generated from operations		
<i>Payment of income taxes</i>	(11,276)	(16,843)
Net cash flows from operating activities	22,993	12,924
Investing Activities		
<i>Accretion of equity interests in subsidiary</i>	(105)	(15)
<i>Accretion of equity interests in subsidiary by non-controlling interest</i>	400	-
<i>Acquisition of other investments</i>	(10,500)	(29,792)
<i>Purchase of property, plant and equipment & IP</i>	(845)	(6,720)
<i>Proceeds from disposal of other investment</i>	14,590	52,460
<i>Proceeds from disposal of property, plant and Equipment</i>	-	208
<i>Dividend received</i>	-	279
<i>Interest received</i>	768	882
Net cash from/(used in) investing activities	4,308	17,302
Financing Activities		
<i>Purchase of Company's own share</i>	(84)	(2,472)
<i>Proceeds from issue of share</i>	-	123
<i>Dividend paid</i>	(26,348)	(40,910)
<i>Payment of lease liabilities</i>	(1,582)	-
<i>Interest paid on loans and borrowings</i>	(217)	(109)
<i>Repayment / drawdown of trade facilities</i>	27	577
Net cash from/(used in) financing activities	(28,204)	(42,791)
Net Changes in Cash & Cash Equivalents	(903)	(12,565)
Effect of exchange rate & fluctuations on cash held	14	(80)
Cash & Cash Equivalents at beginning of financial period	53,792	68,674
Cash & Cash Equivalents at end of the financial period	52,903	56,029

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.


HAI-O ENTERPRISE BHD (Reg.No. 197501000919 (22544-D))
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JANUARY 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)	
9-month ended 31 January 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	-	-	-	-	-	(1,269)	(1,269)	-	(1,269)
Profit for the period	-	-	-	-	-	22,660	22,660	57	22,717
Other comprehensive income for the period	-	-	47	-	-	-	47	-	47
Total comprehensive income for the period	-	-	47	-	-	22,660	22,707	57	22,764
Acquisition of additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	(22)	(22)	(83)	(105)
Acquisition of additional interest in a subsidiary by non-controlling interest	-	-	-	-	-	-	-	400	400
Dividend	-	-	-	-	-	(34,840)	(34,840)	(218)	(35,058)
Purchase of Company's own shares	-	(84)	-	-	-	-	(84)	-	(84)
Balance at end of financial period	157,257	(24,137)	(256)	657	597	162,593	296,711	10,612	307,323
9-month ended 31 January 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	-	-	-	-	-	406	406	-	406
Profit for the period	-	-	-	-	-	37,388	37,388	(74)	37,314
Other comprehensive income for the period	-	-	(35)	-	-	-	(35)	-	(35)
Total comprehensive income for the period	-	-	(35)	-	-	37,388	37,353	(74)	37,279
Employees' share option reserve	41	-	-	(41)	-	-	-	-	-
Share issued pursuant to ESOS	124	-	-	-	-	-	124	-	124
Acquisition of 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 period	157,257	(24,053)	(91)	1,293	-	165,367	299,773	10,676	310,449

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.



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			
Right-of-use assets	-	5,249,200	5,249,200
Impact to assets	-	5,249,200	5,249,200
Liabilities			
Current Lease liabilities	-	1,868,263	1,868,263
Non-current Lease liabilities	-	4,649,464	4,649,464
Impact to liabilities	-	6,517,727	6,517,727
Equity			
Retained earnings	176,063,804	(1,268,527)	174,795,277



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 31 January 2020 are as follows:

	Number of Treasury shares	Total Cost Consideration RM
Balance as at 1 Nov 2019	9,968,388	24,136,838
Repurchased during the quarter	-	-
Balance as at 31 Jan 2020	9,968,388	24,136,838

The repurchase transactions were financed by internally generated funds.

As at 19 March 2020, the treasury shares held were 9,984,588 shares with total purchase consideration of RM 24,158,288.

- ii) During the period under review and subsequent to the third quarter ended 31 January 2020, no ESOS options were exercised.

A6 Dividend paid

The first single tier interim dividend of 3 sen, amounting to RM 8,709,885 in respect of the current financial year ending 30 April 2020, was paid on 5 March 2020.



A7 Segment information

Details of segmental analysis for the period ended 31 January 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	121,445	46,664	30,224	3,138	-	201,471
Inter-segment revenue	75	52,974	3	5,007	(58,059)	-
Total revenue	121,520	99,638	30,227	8,145	(58,059)	201,471
RESULT						
Segment profit/(loss)	21,773	5,284	897	2,542	(333)	30,163
Finance costs						(217)
Interest income						768
Share of loss of equity-accounted investee, net of tax						13
Profit before taxation						30,727
Income tax expenses						(8,010)
Net profit for the period						22,717

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	111,753	170,676	38,014	37,674	-	358,117
Segment liabilities	17,543	24,393	7,335	1,523	-	50,794

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 2020 except for the following:

- i) The Company acquired additional 35,000 shares of Hai-O Raya Bhd for a total cash consideration of RM 98,000.
- 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.

A10 Changes in the composition of the Group

There was no change in the composition of the Group during the period ended 31 January 2020 except for the following:

- i) On 8 November 2019, the share capital of Tea Reserves Sdn Bhd (“TRSB”) was increased from RM 2.00 to RM 1,000,000. TRSB is a wholly owned subsidiary of the Company.
- ii) On 22 November 2019, Yan Ou Holdings (M) Sdn Bhd (“Yan Ou”) increased its share capital by RM 1,000,000, which was subscribed by the Company and the existing non-controlling owner in accordance with their equity interest in Yan Ou of 60% and 40%, respectively. With effect thereof, the share capital of Yan Ou has increased to RM 2,500,000.
- iii) The strike-off exercise of Seagull Technology (Beijing) Co. Ltd. (“STCL”), a wholly-owned subsidiary company of Hai-O (HK) Investment Ltd, was completed. The related statutory document has been filed and duly acknowledged by the Foreign Investment Authority of China on November 2019. The strike-off of STCL did not have any material impact to the Group as it was dormant since its formation.
- iv) The Company acquired additional 8,000 shares of Hai-O Raya Bhd for a total cash consideration of RM 22,400 during the period under review.



A11 Contingent liabilities

- i) 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 19/03/2020	As at 31/01/2020	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 19/03/2020	As at 31/01/2020	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	993	819

A12 Capital commitment

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

	Approved, contracted but not provided for
	RM'000
Property, plant and equipment	1,206
Total	1,206



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

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

Financial review for current quarter and financial period to date

	Individual Period (3 rd quarter)		Changes	Cumulative Period		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	31/01/2020 (RM '000)	31/01/2019 (RM '000)		31/01/2020 (RM '000)	31/01/2019 (RM '000)	
Revenue	67,021	86,156	(22.2%)	201,471	258,412	(22.0%)
Gross Profit	27,188	32,617	(16.6%)	76,418	100,464	(23.9%)
Operating Profit	10,803	16,650	(35.1%)	30,163	48,819	(38.2%)
Profit Before Tax	10,983	16,924	(35.1%)	30,727	49,624	(38.1%)
Profit After Tax	7,909	12,800	(38.2%)	22,717	37,314	(39.1%)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	7,599	12,790	(40.6%)	22,660	37,388	(39.4%)

Statement of profit & loss and other comprehensive income

For the nine months ended 31 January 2020, the Group recorded a lower revenue of RM 201.5 million, a decrease of 22.0% as compared to RM 258.4 million in the previous corresponding period. The decrease in revenue was attributed to the lower contribution from all three main divisions i.e. Multi-Level Marketing (“MLM”), Wholesale and Retail divisions. In line with the lower revenue, the Group recorded a pre-tax profit of RM 30.7 million respectively, a decrease of 38.1% as compared to RM 49.6 million in the previous corresponding period.

Statement of financial position

The equity attributable to equity holders of the parent stood at RM 296.7 million, a decrease of 4.4% as compared to 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 dividend of RM 8.7 million in respect of previous financial year ended 30 April 2019 and current financial year ending 30 April 2020, respectively.

The Group’s total assets as at 31 January 2020 stood at RM 358.1 million (FYE 30.4.2019: RM 364.2 million) which included the Right-of-use assets of RM 4.2 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 reduction in total assets by RM 6.1 million was mainly due to the decrease in cash and cash equivalents and other investment after net of dividend paid amounting to RM 26.3 million during the period under review.



Total liabilities of the Group increased by RM 7.2 million to RM 50.8 million (FYE 30.4.2019: RM 43.6 million). Lease liabilities amounting to RM 5.2 million were recognised upon the adoption of MFRS 16.

Net asset per share recorded at RM 1.02 against 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 91.3 million as at 31 January 2020 (FYE 30.4.2019: RM 95.1 million).

Net cashflow from operating activities of RM 23.0 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 4.3 million, which was mostly from the net proceeds from the disposal of other investments. Net cash used in financing activities of RM 28.2 million was mainly for dividend payment of RM 26.3 million. As a result, the Group's cash and cash equivalents fell by RM 0.9 million to RM 52.9 million in the current period under review.

Segmental Analysis

Current quarter compared to the preceding year's corresponding quarter

For the 3rd quarter under review, the Group recorded a lower revenue and pre-tax profit of RM 67.0 million and RM 11.0 million respectively, which were 22.2% and 35.1% lower than that recorded in the previous corresponding quarter of RM 86.2 million and RM 16.9 million.

(i) MLM division

MLM revenue and pre-tax profit decreased by about 34.6% and 39.5% to RM 36.8 million and RM 7.3 million as compared to the preceding year's corresponding quarter of RM 56.3 million and RM 12.1 million respectively. Additional revenue of RM 9.5 million generated from the newly launched wellness products was offset by lower sales from "small ticket" items. Furthermore, there was no sales incentive campaign in the current quarter, while consumer sentiment remained weak and the high cost of living continues to affect members' ability and willingness to spend.

(ii) Wholesale division

Revenue from external sales increased marginally by 3.0% to RM 16.7 million as compared to the preceding year's corresponding quarter of RM 16.2 million, due mainly to higher sales from medicated tonic and vintage Puer-tea.

Pre-tax profit declined by about 12.5% to RM 2.6 million, which was mainly attributed to an unfavourable change in sales mix as well as higher import cost due to price increase by overseas suppliers.

(iii) Retail division

Pre-tax profit increased by 78.7% to RM 0.8 million despite a flat revenue of RM 12.5 million, aided by higher contribution from high margin house brand products as well as cost optimization initiatives.



(iv) Others division

During the quarter under review, pre-tax profit fell by more than 50% to RM 0.3 million despite higher income received but it was offset by a compensation claim amounting to RM 0.5 million adjudged pursuant to a sealed judgment arising from an alleged early termination of tenancy agreement.

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

For the nine-month period ended 31 January 2020, the Group recorded a 22.0% drop in revenue to RM 201.5 million and a 38.1% drop in pre-tax profit to RM 30.7 million, as compared to RM 258.4 million and RM 49.6 million respectively in the previous year's corresponding period.

(i) MLM division

The MLM division continues to operate under a very difficult business conditions with global and domestic economic uncertainties compounding the already weak consumer sentiment. Due to the high cost of living, members remain cautious and are highly selective in their spending, while new members' recruitment and renewal were also affected. The division recorded a lower revenue and pre-tax profit of RM 121.5 million and RM 22.3 million for the period under review, down by 31.6% and 39.8% respectively as compared to RM 177.5 million and RM 37.0 million in the preceding year's corresponding period.

(ii) Wholesale division

Wholesale revenue was maintained at RM 46.7 million during the period under review. Higher sales generated from Puer-tea and the export of bird nest products were offset by the drop in Chinese medicated tonic and patented medicine sales.

Pre-tax profit decreased by 41.5% to RM 5.3 million due to lower contribution from inter-segment sales and higher import cost due to price increase by overseas suppliers.

(iii) Retail division

Retail revenue was maintained at about RM 30.0 million while pre-tax profit rose by 51.0% to RM 0.7 million, due to the higher sales from house brand products which carry higher margin, as well as costs optimization initiatives during the period.

(iv) Others division

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

During the period under review, pre-tax profit fell by 21.3% to RM 2.5 million as higher rental income from investment properties was offset by lower manufacturing contribution and the judgment sum of RM 0.5 million being the compensation claim adjudged pursuant to a sealed judgment arising from an alleged early termination of tenancy agreement on 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
	31/01/2020 (RM '000)	31/10/2019 (RM '000)	
Revenue	67,021	68,389	(2.0%)
Gross Profit	27,188	24,056	13.0%
Operating Profit	10,803	9,372	15.3%
Profit Before Tax	10,983	9,548	15.0%
Profit After Tax	7,909	7,279	8.7%
Profit Attributable to Ordinary Equity Holders of the Parent	7,599	7,318	3.8%

For the 3rd quarter under review, the Group revenue declined by 2.0% to RM 67.0 million while pre-tax profit increased by 15.0% to RM 11.0 million.

(i) MLM division

Revenue and pre-tax profit decreased by 13.5% and 3.8% to RM 36.8 and RM 7.3 million respectively due to the higher base in the immediate preceding quarter which was driven by attractive product promotion and sales incentive campaign. The division recorded encouraging sales from newly launched wellness products which contributed a revenue of RM 9.5 million revenue during the quarter under review, which helped to cushion lower sales from “small ticket” items and improved overall margins.

(ii) Wholesale division

Divisional revenue increased by 10.4% to RM 16.7 million, mainly attributed to additional seasonal sales from hampers and Chinese medicated tonic during the Chinese New Year (CNY) festive season campaign, coupled with higher sales from vintage Puer-tea. Pre-tax profit increased by two fold to RM 2.6 million mainly boosted by additional contribution from inter-segment sales.

(iii) Retail division

Revenue increased by 29.0% to RM 12.5 million mainly driven by higher sales generated from CNY festive season campaign. In tandem with higher revenue, pre-tax profit increased by RM 0.6 million to RM 0.8 million in the quarter under review.



(iv) Others division

Pre-tax profit fell by more than 50% to RM 0.3 million despite higher income received for the quarter under review but it was offset by a compensation claim amounting to RM 0.5 million adjudged pursuant to a sealed judgment arising from an alleged early termination of tenancy agreement.

B3 Commentary on prospects for the next quarter

The outlook for the Malaysia economy is very challenging due to various negative factors on the domestic and global fronts. While the US/China trade war remains unresolved, the Covid-19 outbreak and the sharp drop in crude oil price have resulted in further blow to the already fragile global economic outlook. There is an increasing risk of a synchronized global slowdown, with the possibility of recession in many countries. In Malaysia, the recent Movement Control Order (“MCO”) announced by the Prime Minister to contain the further spread of Covid-19 will have a negative impact on the consumer sector in the next quarter.

The Group’s three main divisions ie. MLM, Wholesale and Retail divisions are vulnerable to weak consumers’ sentiment and the Group is required to be quick and nimble to respond to the change in market, consumer and logistics dynamics. Hai-O remains committed to promote healthcare culture and improve human’s well-beings and hopes to play a role during such uncertain times by tapping on our network across all key divisions and to intensify online sales to reach out to existing and potential customers.

In view of the above, the Board of Directors expects the Group to remain profitable in the next quarter as it continues to strengthen the foundation for longer-term growth.

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 31 January 2020 is as follows:

	RM '000
Not past due	15,112
Past due 1-30 days	1,122
Past due 31-60 days	267
Past due more than 60 days & not impaired	308
Past due more than 60 days & impaired	45
	<u>16,854</u>

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



B7 Taxation

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

For the quarter under review and financial period to date, the effective tax rate of the Group 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 profits of certain subsidiaries as no Group relief is available for tax purposes.

	Current quarter ended	Current year to date
	31/01/2020	31/01/2020
	(RM '000)	(RM '000)
Profit before taxation	10,983	30,727
Taxation at applicable tax rate – 24%	2,636	7,374
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in the profit or loss	438	636
Total Income Tax Expenses	3,074	8,010

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 are as follows:

Current period ended 31/01/2020				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowing	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	316
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				316

Preceding period ended 31/01/2019				
Group Borrowings	Currency	Secured/ Unsecured	Type of borrowings	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,981
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				1,981

The short-term borrowings solely comprised 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 declare a second single tier interim dividend of 3 sen per share in respect of the current financial year ending 30 April 2020 (31/1/2019: Nil).

B12 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2020	31/01/2019	31/01/2020	31/01/2019
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent (RM'000)	7,599	12,790	22,660	37,388
Weighted average number of shares ('000)	290,392	290,876	290,392	290,876
Weighted average number of shares for diluted EPS ('000)	-*	290,918	-*	290,918
Basic earnings per share (sen)	2.62	4.40	7.80	12.86
Dilutive earnings per share (sen)	-	4.39	-	12.85

*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 PERIOD
	31/01/2020 RM' 000	31/01/2019 RM' 000	31/01/2020 RM' 000	31/01/2019 RM' 000
<i>Profit before taxation is arrived at after (charging)/crediting:</i>				
Interest income	253	288	768	882
Other income including investment Income	751	1,862	2,828	3,979
Interest expense	(71)	(32)	(217)	(109)
Depreciation and amortization on PPE & IP	(1,217)	(1,259)	(3,573)	(3,622)
Depreciation and amortization on Right-use-of-assets	(376)	-	(1,127)	-
Provision for and write off of receivables	(127)	-	(273)	(71)
Provision for and write off of inventories	(228)	(573)	(586)	(1,101)
Gain/(loss) on disposal of quoted or unquoted investment and/or PPE	-	110	-	172
Foreign exchange gain/(loss):				
- Realised	92	86	241	298
- Unrealised	(91)	88	(201)	(96)
Gain/(loss) on derivatives	-	-	-	-
Impairment loss	-	-	(26)	-
Exceptional items	-	-	-	-