



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

**Unaudited Interim Financial Report**  
**31 October 2021**



## HAI-O ENTERPRISE BERHAD

(Registration No. 197501000919 (22544-D))

Quarterly report on consolidated results for the financial period ended 31 October 2021

The figures have not been audited.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 31 OCTOBER 2021

	INDIVIDUAL PERIOD (2nd Quarter)		CUMULATIVE PERIOD (2nd Quarter)	
	CURRENT YEAR QUARTER 31/10/2021	PRECEDING YEAR CORRESPONDING QUARTER 31/10/2020	CURRENT YEAR TO DATE 31/10/2021	PRECEDING YEAR CORRESPONDING PERIOD 31/10/2020
	RM'000	RM'000	RM'000	RM'000
Revenue	55,749	66,137	104,885	137,383
Cost of sales	(34,551)	(39,996)	(62,910)	(85,118)
Gross Profit	21,198	26,141	41,975	52,265
Other income	1,379	1,752	2,325	2,688
Depreciation	(1,555)	(1,605)	(3,103)	(3,202)
Administrative expenses	(4,980)	(5,468)	(9,797)	(9,936)
Selling & distribution expenses	(5,507)	(7,143)	(11,343)	(14,319)
Other expenses	(120)	(215)	(347)	(489)
<b>Operating Profit</b>	<b>10,415</b>	<b>13,462</b>	<b>19,710</b>	<b>27,007</b>
Finance income	140	163	308	348
Finance costs	(60)	(71)	(119)	(140)
Share of profit/(loss) of equity-accounted investee, net of tax	(8)	(7)	(18)	(15)
Profit before tax	10,487	13,547	19,881	27,200
Tax expenses	(2,567)	(3,334)	(4,915)	(6,758)
<b>Profit after tax</b>	<b>7,920</b>	<b>10,213</b>	<b>14,966</b>	<b>20,442</b>
<b>Profit attributable to:</b>				
Owners of the parent	7,816	10,352	14,816	20,615
Non-controlling interest	104	(139)	150	(173)
	7,920	10,213	14,966	20,442
<b>Earnings Per Share attributable to equity holders of the parent</b>				
- Basic	2.68	3.57	5.07	7.10
- 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.



## HAI-O ENTERPRISE BERHAD

(Registration No. 197501000919 (22544-D))

Quarterly report on consolidated results for the financial period ended 31 October 2021  
The figures have not been audited.

### CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 OCTOBER 2021

	INDIVIDUAL PERIOD (2nd Quarter)		CUMULATIVE PERIOD (2nd Quarter)	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2021	31/10/2020	31/10/2021	31/10/2020
	RM'000	RM'000	RM'000	RM'000
Profit for the period	7,920	10,213	14,966	20,442
Other comprehensive income				
- Foreign currency translation differences for foreign operations	670	90	607	587
Total comprehensive Income for the period	8,590	10,303	15,573	21,029
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	8,486	10,442	15,421	21,202
Non-controlling Interest	104	(139)	150	(173)
	8,590	10,303	15,571	21,029

*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.*



## HAI-O ENTERPRISE BERHAD

(Registration No. 197501000919 (22544-D))

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2021

	AS AT CURRENT FINANCIAL QUARTER ENDED 31/10/2021 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2021 (RM'000) (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Property, Plant and Equipment</i>	83,002	84,591
<i>Investment properties</i>	43,834	44,175
<i>Right-of-use assets</i>	11,164	11,328
<i>Investment in jointly control entity</i>	2,102	2,120
<i>Other Investments</i>	112	12
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	721	852
<i>Deferred tax assets</i>	3,081	3,158
	<b>144,101</b>	<b>146,321</b>
<b>Current Assets</b>		
<i>Inventories</i>	90,419	89,311
<i>Trade and other receivables</i>	20,363	22,415
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	63,912	58,904
<i>Cash and Cash Equivalents</i>	53,471	54,549
	<b>228,165</b>	<b>225,179</b>
<b>TOTAL ASSETS</b>	<b>372,266</b>	<b>371,500</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
<i>Share capital</i>	157,155	157,257
<i>Treasury Shares</i>	-	(26,684)
<i>Other reserves</i>	1,046	943
<i>Retained earnings</i>	154,786	181,244
	<b>312,987</b>	<b>312,760</b>
<b>Non-controlling interest</b>	<b>11,555</b>	<b>10,340</b>
<b>Total Equity</b>	<b>324,542</b>	<b>323,100</b>
<b>Non-current Liabilities</b>		
<i>Lease Liabilities</i>	2,656	2,778
<i>Deferred tax</i>	519	484
	<b>3,175</b>	<b>3,262</b>
<b>Current Liabilities</b>		
<i>Trade &amp; other payables</i>	36,301	36,597
<i>Short-term provisions</i>	978	987
<i>Lease Liabilities</i>	1,653	1,628
<i>Contract Liabilities</i>	2,304	2,518
<i>Current tax payables</i>	3,313	3,408
	<b>44,549</b>	<b>45,138</b>
<b>Total Liabilities</b>	<b>47,724</b>	<b>48,400</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>372,266</b>	<b>371,500</b>
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.



## HAI-O ENTERPRISE BERHAD

(Registration No. 197501000919 (22544-D))

### CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 OCTOBER 2021

	Attributable to Equity Holders of the Parent					Distributable Retained Earnings	Total	Non-controlling interest	Total Equity
	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)
<b>6-month ended 31 October 2021</b>									
Balance as at 1 May 2021	157,257	(26,684)	(218)	657	504	181,244	312,760	10,340	323,100
Profit for the period	-	-	-	-	-	14,816	14,816	150	14,966
Other comprehensive income for the period	-	-	607	-	-	-	607	-	607
Total comprehensive income for the period	-	-	607	-	-	14,816	15,423	150	15,573
Acquisition of additional interest in a subsidiary by non-controlling interest	-	-	-	-	-	-	-	1,260	1,260
Purchase of Company's own shares	-	(189)	-	-	-	-	(189)	-	(189)
Cancellation of Company's own shares	(102)	433	-	-	-	(331)	-	-	-
Termination of ESOS	-	-	-	-	(504)	504	-	-	-
Dividend	-	26,440	-	-	-	(41,445)	(15,005)	(197)	(15,202)
<b>Balance at end of financial period</b>	<b>157,155</b>	<b>-</b>	<b>389</b>	<b>657</b>	<b>-</b>	<b>154,788</b>	<b>312,989</b>	<b>11,553</b>	<b>324,542</b>
<b>6-month ended 31 October 2020</b>									
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	-	-	-	-	-	20,615	20,615	(173)	20,442
Other comprehensive income for the period	-	-	587	-	-	-	587	-	587
Total comprehensive income for the period	-	-	587	-	-	20,615	21,202	(173)	21,029
Acquisition of additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	26	26	(40)	(14)
Dividend	-	-	-	-	-	(11,594)	(11,594)	(101)	(11,695)
Purchase of Company's own shares	-	(832)	-	-	-	-	(832)	-	(832)
<b>Balance at end of financial period</b>	<b>157,257</b>	<b>(24,990)</b>	<b>497</b>	<b>657</b>	<b>526</b>	<b>174,441</b>	<b>308,388</b>	<b>10,289</b>	<b>318,677</b>

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.



## HAI-O ENTERPRISE BERHAD

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### CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE QUARTER ENDED 31 OCTOBER 2021

	<b><u>2022</u></b> <b>6-month</b> <b>ended</b> <b>31/10/2021</b> <b>(RM '000)</b>	<b><u>2021</u></b> <b>6-month</b> <b>ended</b> <b>31/10/2020</b> <b>(RM '000)</b>
Profit before tax	19,881	27,200
Adjustment for :-		
Depreciation on property, plant and equipment & IP	2,228	2,192
Depreciation on right-of-use assets	875	1,010
Dividend income	(488)	(500)
Fair value (gain)/loss on other investments	73	(81)
Finance costs	119	140
Finance income	(308)	(348)
Gain/(loss) on disposal of property, plant and equipment	4	(914)
Property, plant and equipment written off	3	15
Share of losses of equity-accounted investee, net of tax	18	15
Provision for sales campaign	700	1,662
Unrealised foreign exchange differences	(73)	88
<b>Operating profit before changes in working capital</b>	<b>23,032</b>	<b>30,479</b>
Changes in working capital		
<i>Inventories</i>	(1,108)	3,966
<i>Receipts from customers</i>	3,370	784
<i>Net Change in other receivables</i>	(1,291)	(123)
<i>Payment to suppliers, contractors and employees</i>	378	(1,162)
<i>Net Change in other payables</i>	(301)	901
	1,048	4,366
Cash generated from operations		
<i>Payment of income taxes</i>	(4,794)	(1,858)
<i>Finance cost</i>	(119)	(140)
<b>Net cash flows from operating activities</b>	<b>19,167</b>	<b>32,847</b>
Investing Activities		
<i>Accretion of equity interests in subsidiary</i>	-	(14)
<i>Acquisition of other investments</i>	(11,700)	(12,600)
<i>Purchase of property, plant and equipment &amp; IP</i>	(316)	(911)
<i>Proceeds from disposal of other investment</i>	7,007	-
<i>Proceeds from disposal of property, plant and Equipment</i>	11	976
<i>Interest received</i>	308	348
<b>Net cash from/(used in) investing activities</b>	<b>(4,690)</b>	<b>(12,201)</b>
Financing Activities		
<i>Purchase of Company's own share</i>	(189)	(832)
<i>Dividend paid</i>	(15,202)	(8,709)
<i>Payment of lease liabilities</i>	(873)	(917)
<b>Net cash from/(used in) financing activities</b>	<b>(16,264)</b>	<b>(10,458)</b>
Net Changes in Cash & Cash Equivalents	(1,787)	10,188
Effect of exchange rate & fluctuations on cash held	709	588
Cash & Cash Equivalents at beginning of financial period	54,549	57,964
<b>Cash &amp; Cash Equivalents at end of the financial period</b>	<b>53,471</b>	<b>68,740</b>

The Condensed Consolidated Cash Flow Statement 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.



## **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.

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.

### **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 changes in estimates that have material effect in the current quarter and financial period to-date results.



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**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 October 2021 are as follows:

	Number of Treasury shares	Total Cost Consideration RM
Balance as at 1 Aug 2021	194,660	433,443
Cancellation during the quarter	(194,660)	(433,443)
<b>Balance as at 31 October 2021</b>	-	-

- ii) On 29 October 2021, Hai-O Enterprise Bhd has terminated its existing ESOS in accordance with the By-Laws governing the ESOS in view that the Board does not intend to grant any further options under the existing ESOS.

**A6 Dividend paid**

No dividend has been paid during the quarter under review.

**A7 Segment information**

Details of segmental analysis for the period ended 31 October 2021 are as follows:

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>REVENUE</b>						
Revenue from external customers	65,573	22,240	15,108	1,964	-	<b>104,885</b>
Inter-segment revenue	55	29,306	-	3,596	(32,957)	-
Total revenue	65,628	51,546	15,108	5,560	(32,957)	104,885
<b>RESULT</b>						
<b>Segment profit/(loss)</b>	13,280	3,400	1,033	1,898	99	<b>19,710</b>
Finance costs						(119)
Interest income						308
Share of loss of equity-accounted investee, net of tax						(18)
Profit before taxation						19,881
Income tax expenses						(4,915)
Net profit for the period						<b>14,966</b>



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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	110,837	177,921	36,841	46,667	-	372,266
Segment liabilities	20,636	18,629	6,404	2,055	-	47,724

**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 October 2021 except for the following:

Hai-O Enterprise Bhd acquired additional 10,000 shares of Hai-O Raya Bhd for a total cash considerations of RM 28,000.

**A10 Changes in the composition of the Group**

There was no change in the composition of the Group during the period ended 31 October 2021.

**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 20/12/2021	As at 31/10/2021	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	1,384	1,584



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**A12 Capital commitment**

The capital commitment of the Group for the period ended 31 October 2021 is as follows:

<b>Approved, contracted but not provided for</b>	
<b>RM'000</b>	
Capital Investment	7,684
Property, plant and equipment	338
<b>Total</b>	<b>8,022</b>

**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 (2 <sup>nd</sup> quarter)		Changes	Cumulative Period		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31/10/2021 (RM '000)	31/10/2020 (RM '000)		31/10/2021 (RM '000)	31/10/2020 (RM '000)	
<b>Revenue</b>	55,749	66,137	(15.7%)	104,885	137,383	(23.7%)
<b>Gross Profit</b>	21,198	26,141	(18.9%)	41,975	52,265	(19.7%)
<b>Operating Profit</b>	10,415	13,462	(22.6%)	19,710	27,007	(27.0%)
<b>Profit Before Tax</b>	10,487	13,547	(22.6%)	19,881	27,200	(26.9%)
<b>Profit After Tax</b>	7,920	10,213	(22.5%)	14,966	20,442	(26.8%)
<b>Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent</b>	7,816	10,352	(24.5%)	14,816	20,615	(28.1%)



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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 2021 to combat the resurgence of the COVID-19 pandemic. For the second quarter ended 31 October 2021, the Group recorded lower revenue of RM 104.9 million, a decrease of 23.7% as compared to the previous corresponding period of RM 137.4 million. The decrease in revenue was mainly attributed to lower sales contribution from all three main divisions. Gross profit margin improved to 40.0% from 38.0% in the previous corresponding period, thanks to a favourable change of sales mix and price adjustments on selected products for the Wholesale division during the period under review.

Statement of Financial Position

The equity attributable to equity holders of the parent stood at RM 313.0 million as at 31 October 2021 (FYE 30.4.2021 : RM 312.8 million), mainly after taking into account net profit attributable to owners of the Company amounting to RM 14.8 million, as well as the second interim dividend of RM 15.0 million in respect of previous financial year ended 30 April 2021.

The Group's total assets as at 31 October 2021 stood at RM 372.3 million (FYE 30.4.2021: RM 371.5 million). The increase in total assets by RM 0.8 million mainly reflected the increase in other investments during the period under review.

Total liabilities of the Group decreased by RM 0.7 million to RM 47.7 million (FYE 30.4.2021: RM 48.4 million) mainly due to the decrease in trade and other payables and contract liabilities.

Net asset per share was recorded at RM 1.04 as at 31 October 2021, 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 117.4 million as at 31 October 2021.

Net cash flow from operating activities amounted to RM 19.2 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 amounting to total outflow of RM 4.7 million. Net cash used in financing activities of RM 16.3 million was mainly utilised for dividend payment of RM 15.2 million including dividend payment to non-controlling interest. As a result, the Group's cash and cash equivalents decreased by RM 1.1 million to RM 53.5 million as at current financial period ended 31 October 2021.



## Segmental Analysis

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

(i) MLM division

MLM revenue and pre-tax profit decreased by 19.70% and 15.0% to RM 35.5 million and RM 7.1 million, as compared to the preceding year's corresponding quarter of RM 44.2 million and RM 8.4 million respectively. Members remained cautious in spending, resulting in less encouraging response to the sales campaign in the quarter under review. Besides, persistent weak market sentiments have affected members' recruitment and renewal, further dampening business activities.

(ii) Wholesale division

Despite the reopening of business activities under the National Recovery Plan (NRP) in Q2 FY2022, demand for premium medicated tonic and cooking wine remained lacklustre as most Chinese medical halls and restaurants continued to be very cautious and only slowly reopened in stages. The division thus posted lower revenue of RM 11.4 million, 10.3% below the preceding year's corresponding quarter of RM 12.8 million.

Divisional pre-tax profit decreased from RM 4.6 million to RM 2.0 million, dragged by lower revenue and the absence of an one-off gain from the disposal of vintage tea amounting to RM 0.8 million recorded in the preceding year's corresponding quarter .

(iii) Retail division

Divisional revenue dropped marginally by 4.3% to RM 7.9 million as compared to the preceding year's corresponding quarter of RM 8.2 million. Despite the reopening of economy activities under NRP, the recovery was at a slow pace due to fragile consumer sentiment amidst weak purchasing power and rising inflationary pressures. The division held aggressive sales promotions at its physical outlets as well as on various online platforms to sustain its business momentum and to mitigate the negative impact of the sluggish economy.

The retail division turned around to post a pre-tax profit RM 0.6 million, thanks to various cost optimization measures during the quarter under review and further aided by higher contribution from house brand products which generated better margins.



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

For the first half of the current financial year, the Group recorded lower revenue and pre-tax profit of RM 104.9 million and RM 19.9 million, as compared to RM 137.4 million and RM 27.2 million, representing a decrease of 23.7% and 26.9% respectively from the corresponding period of the preceding year:

(i) MLM division

MLM revenue and pre-tax profit decreased by 29.9% and 27.6% to RM 65.6 million and RM 13.4 million, as compared to the preceding year's corresponding period of RM 93.5 million and RM 18.4 million respectively. The comparison was against a higher base in the previous year's corresponding period, when rebounding sales following the reopening of economy activities after the first lockdown were further boosted by aggressive promotion campaigns such as the Duit Raya sales campaign.

The MLM division was badly affected when the pandemic dragged on and stringent SOPs imposed by the Government to disallow marketing activities and mega events to be conducted physically. To mitigate the negative impact, the division has actively leveraged on e-commerce platforms to communicate, market and reach out to members.

(ii) Wholesale division

The Wholesale division posted a 14.2% decline in revenue to RM 22.3 million, compared to the preceding year's corresponding period of RM 25.9 million.

The performance of the Wholesale division was badly hit by various MCOs imposed since the beginning of the financial year. Despite the reopening of business activities in the 2<sup>nd</sup> quarter of the financial year, it would take time for many businesses to return to their pre-pandemic levels. Moreover, most Chinese medical halls and restaurants remained cautious and only slowly reopened in stages in view of continued uncertainties.

Divisional pre-tax profit decreased from RM 7.1 million to RM 3.7 million due to lower revenue and the absence of an one-off gain from the disposal of vintage tea amounting to RM 0.8 million in the preceding year's corresponding period .

(iii) Retail division

The Retail division was similarly afflicted by a series of lockdowns and stringent SOPs imposed by the government. Amidst the nascent domestic economic recovery, consumers remained highly cautious in spending as rising inflationary pressures further dampened already weak purchasing power. In order to sustain business momentum, the division has carried out various sales campaigns and aggressive promotions at its physical outlets as well as online platforms.

Despite the division suffering a 6.0% drop in revenue to RM 15.1 million, it managed to turn around to post a profit of RM 0.9 million, thanks to various cost optimization measures during the period under review and higher margins for house brand products.



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(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, pre-tax profit improved marginally by 5.7% to RM 1.9 million, thanks to higher contribution from the manufacturing division which enjoyed greater demand for health supplement products.

**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**

	<b>Current Year Quarter</b>	<b>Immediate Preceding Quarter</b>	<b>Changes</b>
	<b>31/10/2021 (RM '000)</b>	<b>31/07/2021 (RM '000)</b>	
<b>Revenue</b>	55,749	49,136	13.5%
<b>Gross Profit</b>	21,198	20,777	2.0%
<b>Operating Profit</b>	10,415	9,295	12.1%
<b>Profit Before Tax</b>	10,487	9,394	11.6%
<b>Profit After Tax</b>	7,920	7,046	12.4%
<b>Profit Attributable to Ordinary Equity Holders of the Parent</b>	7,816	7,000	11.7%

For the 2<sup>nd</sup> quarter under review, Group revenue and pre-tax profit increased by 13.5% and 11.6% to RM 55.7 million and RM 10.5 million respectively. According to the Malaysia Institute Economic Research (MIER), the consumer Sentiment Index in the 3<sup>rd</sup> quarter of 2021 has stayed above the 100 points threshold level and rose to a three-year high of 101.7 points, indicating improved consumer sentiments since the roll-out of NRP with the reopening of various economic and business activities.



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

(i) MLM division

Divisional revenue and pre-tax profit increased by 18.0% and 13.9% to RM 35.5 million and RM 7.1 million respectively, as compared with the immediate preceding quarter of RM 30.1 million and RM 6.2 million. The increase in revenue was mainly contributed by higher sales of essential and more affordable “small-ticket” items. Since the partial reopening of economy and social activities, distributors have cautiously resumed marketing and recruitment activities which were disallowed in the preceding quarter.

(ii) Wholesale division

During the latest quarter under review, Wholesale revenue increased by 5.8% to RM 11.4 million, as compared with RM 10.8 million in the immediate preceding quarter when the delivery of non-essential goods was disallowed during the lockdown period. Overall consumer sentiments have turned more positive under NRP, which has helped sales in the quarter under review. Divisional pre-tax profit increased by 16.2% to RM 2 million in tandem with higher revenue and effective cost optimization measures.

(iii) Retail division

Divisional revenue and pre-tax profit increased to RM 7.9 million and RM 0.6 million, as compared with the immediate preceding quarter of RM 7.3 million and RM 0.4 million respectively. The domestic economy has begun to recover in Q2 FY2022 with the phased lifting of restrictions under NRP. Hence, overall consumers sentiment are gradually improving with more customers visiting the retail outlets and bringing in positive results to the division.

**B3 Commentary on prospects for the next quarter**

The NRP and the high vaccination rate in the country are providing the much-needed relief to the domestic economy following almost two years of the Covid-19 pandemic. However, new challenges are emerging which necessitate a high degree of alertness and vigilance. Global inflationary pressures are rising following supply chain disruptions and shortage of labour caused by the pro-longed pandemic, and Malaysia is not spared. In response to the challenging business environment, the Group will continue to focus on our core competitive advantages and strengths, remain vigilant and agile to new business risks and opportunities while keeping a close rein on costs .

The MLM division is currently focusing on the development of new products particularly health supplements to enhance immunity and other essential products especially the more affordable “small-ticket” items. The division will also continue to work on various strategies to reinforce its distributors’ base. With the Chinese New Year (CNY) festive season approaching, both the Wholesale and Retail divisions will launch extensive CNY promotion campaigns through our conventional channels, Hai-O e-commerce platform, as well as third party platforms and is expected to generate more revenue in the next quarter.

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



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**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 October 2021 is as follow:

	RM '000
Not past due	11,433
Past due 1-30 days	573
Past due 31-60 days	257
Past due more than 60 days & not impaired	238
	<u>12,501</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 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 31/10/2021 (RM '000)	Current year to date 31/10/2021 (RM '000)
Profit before taxation	10,487	19,881
Taxation at applicable tax rate – 24%	2,517	4,771
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in the profit or loss	50	144
<b>Total Income Tax Expenses</b>	<b>2,567</b>	<b>4,915</b>



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**B8 Status of Corporate Proposals**

There were no outstanding corporate proposals for the period under review except for the following corporate proposal:

- (i) Proposed Internal Reorganisation;
- (ii) Proposed Termination of Existing ESOS; and
- (iii) Proposed New ESOS.

( Collectively referred to as the “Proposals”)

Further to the announcements dated 19 January 2021, 4 February 2021, 8 March 2021, 9 March 2021, 5 April 2021, 9 April 2021, 27 April 2021, 19 May 2021, 31 May 2021, 24 June 2021, 16 July 2021, 23 July 2021, 26 July 2021, 3 August 2021, 1 November 2021, 2 November 2021, 5 November 2021, 11 November 2021, 12 November 2021, 24 November 2021 and 25 November 2021 in relation to the Internal Reorganisation, the Company has on 29 November 2021 completed the Internal Reorganisation following the de-listing of Hai-O Enterprise Bhd (HOE) Shares and the listing and quotation for Beshom Holdings Berhad (“Beshom”) Shares, in its place. Consequently, HOE is now a wholly-owned subsidiary of Beshom.

The implementation of the New ESOS by Beshom is effective from 1 December 2021, being the date to which Beshom is in full compliance with Paragraph 6.43 (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

**B9 Group Borrowings and Debts Securities**

The Group borrowings and debts securities as at 31 October 2021 were as follows :

<b>Current Quarter ended 31/10/2021</b>				
<b>Group Borrowings</b>	<b>Currency</b>	<b>Secured/ Unsecured</b>	<b>Type of borrowing</b>	<b>RM'000</b>
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	-
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
<b>Total</b>				-

<b>Preceding Quarter ended 31/10/2020</b>				
<b>Group Borrowings</b>	<b>Currency</b>	<b>Secured/ Unsecured</b>	<b>Type of borrowings</b>	<b>RM'000</b>
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	-
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
<b>Total</b>				-

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**

The Board of Directors has on 10 December 2021 declared a single tier interim dividend of 4.8 sen per share in respect of the financial year ending 30 April 2022 (31/10/2020: 4 sen single tier interim dividend).

**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
	31/10/2021	31/10/2020	31/10/2021	31/10/2020
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent (RM'000)	7,816	10,352	14,816	20,615
Weighted average number of shares ('000)	292,095	290,259	292,095	290,259
Weighted average number of shares for diluted EPS ('000)	- *	- *	- *	- *
Basic earnings per share (sen)	2.68	3.57	5.07	7.10
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
	31/10/2021 RM' 000	31/10/2020 RM' 000	31/10/2021 RM' 000	31/10/2020 RM' 000
<i>Profit before taxation is arrived at after (charging)/crediting:</i>				
Interest income	140	163	308	348
Other income including investment Income	1,379	1,752	2,325	2,688
Interest expense	(60)	(71)	(119)	(140)
Depreciation and amortization on PPE & IP	(1,112)	(1,111)	(2,228)	(2,192)
Depreciation and amortization on Right-use-of-assets	(443)	(494)	(875)	(1,010)
Provision for and write off of receivables	88	397	(15)	(6)
Provision for and write off of inventories	(370)	(231)	(420)	(305)
Gain or (loss) on disposal of quoted or unquoted investment and/or PPE	(4)	914	(4)	914
Foreign exchange gain/(loss):				
- Realised	135	48	161	254
- Unrealised	(166)	23	73	(88)
Gain or loss on derivatives	-	-	-	-
Impairment loss	-	-	-	-
Reversal of impairment loss of inventories	6	14	38	397
Exceptional items	-	-	-	-

**B15** The interim financial statements were authorised for issue by the Board of Directors on 21 December 2021.