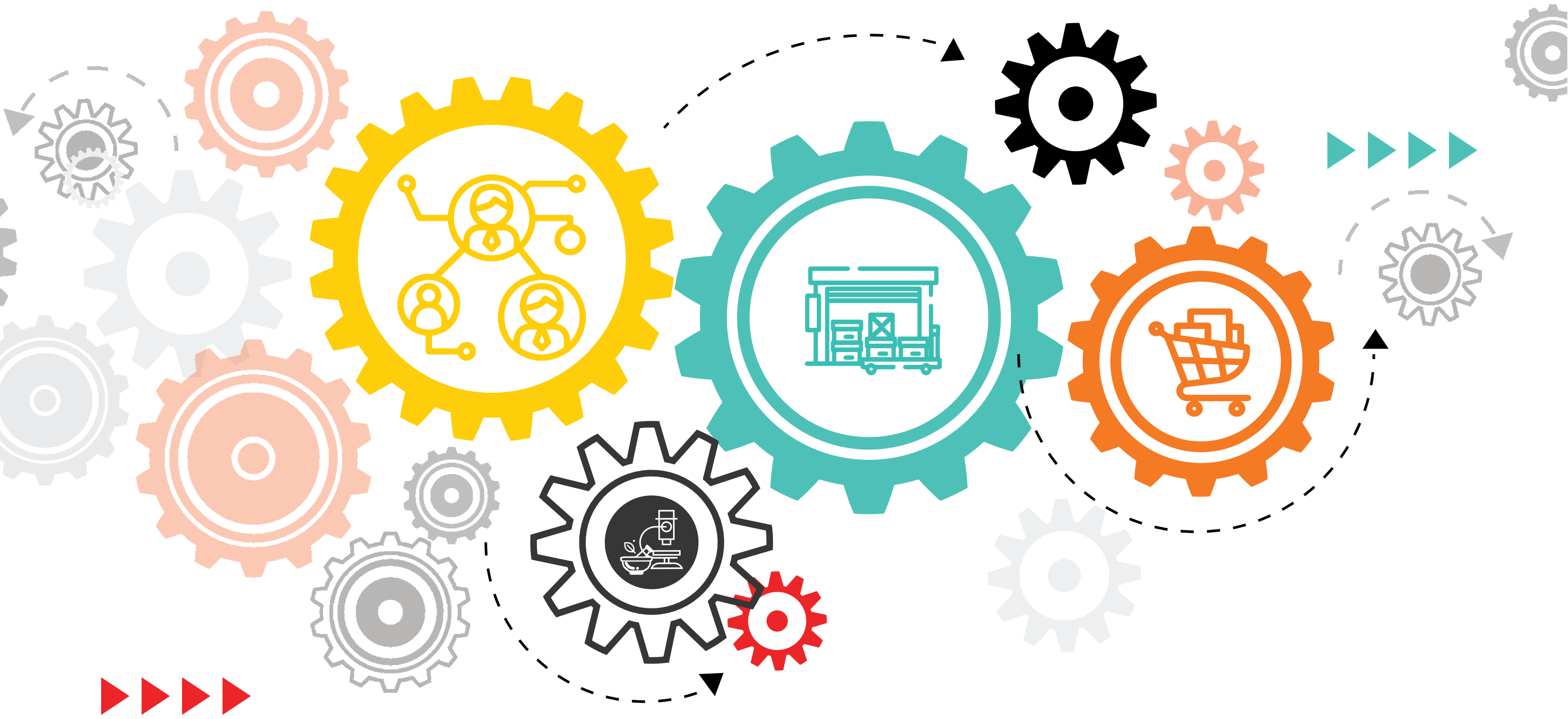
HAI-O ENTERPRISE BERHAD

Registration No. 197501000919 (22544-D)



CREATING CLOSER COLLABORATION

Annual Report 2020

WHAT'S INSIDE

Corporate Framework

Corporate Governance

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Additional Information

45th ANNUAL GENERAL MEETING

1 OCTOBER 2020

11:30 a.m.

Broadcast Venue

Lot 6.03, 6th Floor, Menara Hai-O, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

Scan this QR code to view our Annual Report 2020 on your mobile or tablet or log on to our website at www.hai-o.com.my

CORPORATE INFORMATION

AS AT 3 AUGUST 2020

Board of Directors

Tan Kai Hee
Group Executive Chairman
Non-Independent

Tan Keng Kang
Group Managing Director
Non-Independent

Hew Von Kin
Group Executive Director cum
Group Chief Financial Officer
Non-Independent

Ng Chek Yong
Senior Independent
Non-Executive Director

Tan Beng Ling
Independent
Non-Executive Director

Soon Eng Sing
Independent
Non-Executive Director

Chia Kuo Wui
Independent
Non-Executive Director

Tan Kim Siong
Independent
Non-Executive Director

Professor Hajjah Ruhanas Binti Harun
Independent
Non-Executive Director

AUDIT COMMITTEE

Chairperson
Tan Beng Ling

Members
Tan Kim Siong
Chia Kuo Wui

••••

COMPANY SECRETARIES

Cynthia Gloria Louis
(SSM PC No. 201908003061)
(MAICSA 7008306)

Chew Mei Ling
(SSM PC No. 201908003178)
(MAICSA 7019175)

••••

AUDITORS

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

REGISTERED OFFICE

Unit 621, 6th Floor, Block A, Kelana Centre Point, No 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel: 03-7880 9699 | Fax: 03-7880 8699
E-mail : info@corporatepartners.com.my

••••

BUSINESS OFFICE

Wisma Hai-O, Lot 11995, Batu 2, Jalan Kapar, 41400 Klang, Selangor, Malaysia.
Tel: 03-3342 3322 | Fax: 03-3342 8285
E-mail : info@hai-o.com.my
Website URL : www.hai-o.com.my

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SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
Tel: 03-7890 4700 | Fax: 03-7890 4670
Email: BSR.Helpdesk@boardroomlimited.com

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Bank of China (Malaysia) Berhad
Public Bank Berhad
CIMB Bank Berhad

••••

ADVOCATES & SOLICITORS

Chooi & Company + Cheang & Ariff

••••

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
Stock Name / Code: HAIO 7668
ISIN : MYL766800006

GROUP CORPORATE STRUCTURE

OF MAIN OPERATING COMPANIES AS AT 3 AUGUST 2020

HAI-O ENTERPRISE BERHAD

WHOLESALE

Hai-O Medicine Sdn. Bhd.
Kinds Resource Sdn. Bhd.
Grand Brands (M) Sdn. Bhd.
Chop Aik Seng Sdn. Bhd.
Yan Ou Holdings (M) Sdn. Bhd.
• Yan Ou Marketing (Intl) Sdn. Bhd.

MULTI-LEVEL MARKETING (“MLM”)

Sahajidah Hai-O Marketing Sdn. Bhd.
• PT Hai-O Indonesia

RETAIL

Hai-O Raya Bhd.
Peking Tongrentang (M) Sdn. Bhd.

MANUFACTURING

SG Global Biotech Sdn. Bhd.
• QIS Research Laboratory Sdn. Bhd.

OTHERS

Hai-O Properties Sdn. Bhd.
Hai-O Credit & Leasing Sdn. Bhd.
• Sri Pangkor Credit & Leasing Sdn. Bhd.

● Subsidiary Company
● Joint Venture Company
● Associate Company

GROUP FINANCIAL HIGHLIGHTS

	YEAR ENDED 30 APRIL				
	2016 RM'000	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
Revenue	297,629	404,240	461,696	328,407	**255,174**
Gross profit	101,436	132,528	161,547	125,894	**99,171**
Gross margin	34.1%	32.8%	35.0%	38.3%	**38.9%**
Profit before tax	49,072	78,269	96,491	63,394	**41,517**
Profit after tax	36,565	59,415	72,521	47,447	**32,319**
Profit attributable to Owners of the Company	36,344	59,475	72,254	47,743	**32,576**
Net margin	12.3%	14.7%	15.7%	14.4%	**12.7%**
Total Assets	321,382	364,301	395,999	364,235	**361,720**
Total Liabilities	52,401	68,132	77,076	43,561	**51,530**
Share capital	101,095	149,327	157,092	157,256	**157,256**
Shareholders' equity	257,374	284,815	307,905	310,219	**299,586**
Financial Indicators					
Return on Shareholders' Equity	14.1%	20.9%	23.5%	15.4%	**10.9%**
Earnings per share (sen)^ *	12.47	20.54	24.88	16.43	**11.22**
Single Tier Dividend (sen)	15.0	16.0	20.0	13.0	**10.0**
Current ratio (times)	3.8	3.5	3.3	5.0	**4.5**
Net assets per share (sen)^^	89	98	106	107	**103**
Price earnings ratio (times)	20.37	18.55	19.93	15.64	**15.33**
Share Price as at the financial year end (RM)	2.54	3.81	4.96	2.57	**1.72**
Market Capitalisation as at the financial year end (RM'000)	513,563	1,137,871	1,489,309	771,766	**516,512**

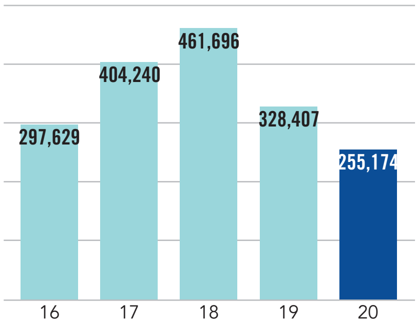
Notes:

^ Calculated based on weighted average number of shares in issue, net of treasury shares and after adjusting for the Bonus Issue in FY2017.

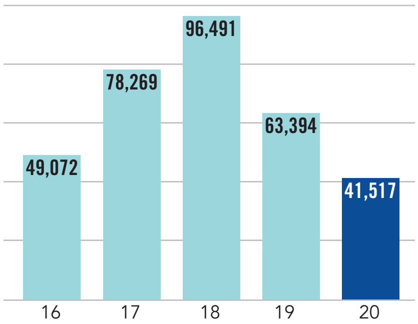
^^ Equity attributable to owners of the Company after adjusting for the Bonus Issue in FY2017.

* FY2018 & FY2019 calculation after inclusion of shares issued pursuant to Employees' Share Option Scheme ("ESOS") exercised.

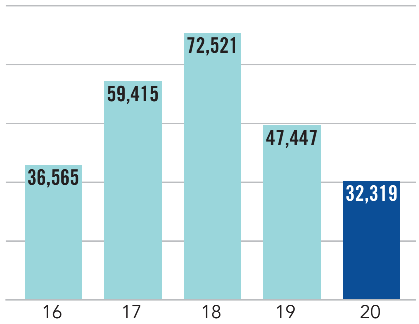
REVENUE
(RM'000)



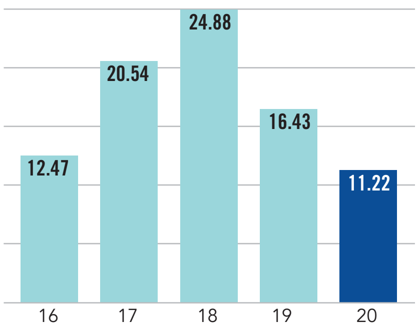
PROFIT BEFORE TAXATION
(RM'000)



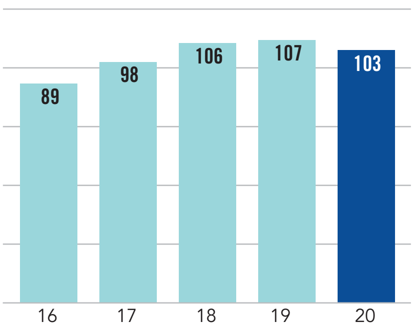
PROFIT AFTER TAX
(RM'000)



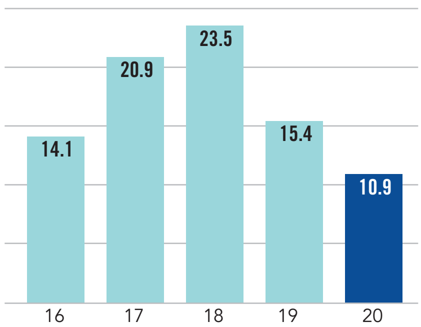
EARNINGS PER SHARE
(SEN)



NET ASSETS PER SHARE
(SEN)



RETURN ON SHAREHOLDERS' EQUITY
(%)



DIVIDENDS		Per share	Declared/Proposed	Entitlement Date	Payment Date
FY2019	Interim Single Tier	4 sen	17 December 2018	26 February 2019	7 March 2019
	Final Single Tier	9 sen	25 June 2019	8 November 2019	21 November 2019
FY2020	1st Interim Single Tier	3 sen	18 December 2019	24 February 2020	5 March 2020
	2nd Interim Single Tier	3 sen	25 March 2020	1 June 2020	16 June 2020
	Final Single Tier*	4 sen	29 June 2020	9 November 2020	19 November 2020

** Subject to the approval of shareholders at the 45th AGM*

CORPORATE PROFILE

The Hai-O Group has come a long way since our first retail shop opened in 1975 in Klang, Selangor. We were then focused on the businesses of import trading, wholesaling and retailing of Chinese herbal products and medicated tonics.

Economy, Environment and Social Sustainability

Clear and committed focus on core business

Proactive risk management to counter business and operation disruptions

OUR OBJECTIVES

SUSTAINABLE RETURNS AND LONG-TERM GROWTH

Over time, Hai-O has become an established household name offering a wide range of complementary medicines in the form of traditional complementary medicines ("TCM"), as well as wellness, beauty and healthcare products. Through a joint venture arrangement with the world-renowned Beijing Tongrentang, Hai-O has also expanded to provide clinical services since 2002 and offering TCM consultation services. In addition, we diversified our business to include TCM contract manufacturing as well as manufacturing of health food and food supplements.

Currently we have business presence nationwide with 57 retail chain stores, 36 Multi-Level-Marketing ("MLM") branches, stockists and sales points, and 2 manufacturing plants with certification from ISO, HACCP, GMP and US FDA, across Malaysia. Apart from transforming the "Hai-O" brand into a household brand name through our retail business, we have strengthened our foothold in wholesaling. Today, Hai-O is one of the major suppliers of Chinese herbal products and medicated tonics to a large number of traditional Chinese medical halls and duty-free shops. Throughout the years, we experienced tremendous growth and our foray into the business of MLM in 1992 marked a quantum leap of the Group's business expansion. To-date, MLM, Wholesale and Retail segments are the 3 major strategic businesses of the Group. Our businesses are located across Malaysia which accounted for almost 100% of the Group's revenue. We also have business ventures in Brunei and Indonesia, which has minimal revenue contribution for the financial year ended 30 April 2020.

Hai-O was listed on the then Second Board of Kuala Lumpur Stock Exchange ("KLSE"/ "Bursa Securities") in December 1996 as the first traditional healthcare company being listed on KLSE. Hai-O was subsequently transferred to the Main Board of Bursa Securities in October 2007 reflecting the scale of the Group's achievement throughout the years. From a humble beginning with a small start-up capital, Hai-O has over the years been resilient to ride through many business challenges with an equity base of approximately RM300 million to-date.

BOARD OF DIRECTORS

Tan Kai Hee
Group Executive Chairman
Non-Independent

Tan Keng Kang
Group Managing Director
Non-Independent

Hew Von Kin
Group Executive Director cum
Group Chief Financial Officer
Non-Independent

Ng Chek Yong
Senior Independent
Non-Executive Director

Tan Beng Ling
Independent
Non-Executive Director

Soon Eng Sing
Independent
Non-Executive Director

Chia Kuo Wui
Independent
Non-Executive Director

Tan Kim Siong
Independent
Non-Executive Director

Professor Hajjah Ruhanas Binti Harun
Independent
Non-Executive Director

PROFILE OF THE BOARD OF DIRECTORS

Tan Kai Hee

Group Executive Chairman
Non-Independent

Age 83 / Male / Malaysian

Mr. Tan Kai Hee is one of the founders, main policy and decision-makers of the Company. Mr. Tan, a well-known businessman has more than 40 years of commercial experience in the trading business.

Apart from managing the Company's business, he is also an active social worker involved in community work for the past 40 years. Mr. Tan is the founder of the Malaysia-China Friendship Association (PPMC: Honorary Life President, Malaysia-China Chamber of Commerce (MCCC: Honorary President), Malaysia-China Culture & Arts Association (PKKMC: Advisor), and Vice President of China-Asean Business Association, Malaysia (CABA). Mr. Tan is also a Director of the Malaysia China Business Council (MCBC) and an advisor to the Federation of Chinese Physicians and Medicine Dealers Association of Malaysia (FCPMDAM).

In 2014, Mr. Tan has sponsored the formation of Yayasan Usman Awang, a non-profit organisation which honours the literary works of Malaysian National Laureate Dato' Usman Awang.

Mr. Tan was appointed to the Board on 30 August 1975 and was appointed as Group Executive Chairman on 1 February 2016. He is the Chairman of the Employees' Share Option Scheme (ESOS) Committee. He is a Director in Hai-O Raya Bhd. and also holds directorship in several private limited companies.

Mr. Tan is the father of Mr. Tan Keng Kang, the Group Managing Director of Hai-O.

He has not been convicted of any offence within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Tan Keng Kang

Group Managing Director
Non-Independent

Age 44 / Male / Malaysian

Mr. Tan Keng Kang has attended the course in International Economics at Beijing University, China in 1997. He joined Hai-O as an Operations Executive on 1 August 1998, mainly to support the operational activities of Hai-O's marketing arm.

On 1 May 2000, he was then promoted as a Sales Manager and Director of Chop Aik Seng Sdn. Bhd., a subsidiary of Hai-O dealing in tea and other beverages.

Mr. Tan was appointed to the Board on 1 April 2012 and was appointed as the Group Managing Director on 1 February 2016. He is the Chairman of the Sustainability Steering Committee and a member of the ESOS Committee. He sits on the Board of Trustees of Yayasan Usman Awang and is also a director in Hai-O Raya Bhd. Currently, he also holds directorship in several private limited companies.

Mr. Tan is involved in the strategic planning at the Group level and manages the Group's operational activities and oversees the business development of Hai-O Group.

Mr. Tan is actively involved in various trade and non-trade associations. He is an Advisor to Puer Tea Trade Association, Malaysia-China Friendship Association (PPMC: Secretary - General), Tan Kah Kee Foundation (Secretary-General), China-Asean (Malaysia) Entrepreneurs' Association (Vice President), China Trade Promotion Association (Vice President) and also Advisor to China Entrepreneurs' Association in Malaysia (PUCM).

Mr. Tan Keng Kang is the son of Mr. Tan Kai Hee who is the Group Executive Chairman of Hai-O.

He has not been convicted of any offence within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Hew Von Kin

Group Executive Director cum Group Chief Financial Officer, Non-Independent

Age 58 / Male / Malaysian

Mr. Hew Von Kin is the Group Chief Financial Officer of Hai-O and has been working with Hai-O for more than 25 years.

He is one of the key senior staff who is involved in the strategic planning and financial management of the Group. He has helped to grow and build the business over the years.

Mr. Hew is proficient in Finance & Accounting, Financial Investments, Investors Relations and Strategic Planning & Management. He has responsibly and effectively led his team to take on various corporate exercises, investment and acquisition projects for the Group.

He is also one of the key persons who has helped Hai-O Board to develop and oversee the succession planning, human capital development and promoting corporate responsibility related works for the Group.

Mr. Hew was appointed to the Board as Group Executive Director on 1 February 2016. He is the Chairman of the Risk Management Committee, a member of the Sustainability Steering Committee and ESOS Committee. He also sits on the Board of Trustees of Hai-O Foundation since 11 September 2014.

Mr. Hew is a member of the Chartered Institute of Management Accountants (CIMA).

He has no family relationship with any other director and major shareholder of Hai-O.

He has not been convicted of any offence within the past five years. There was no public sanction of penalty imposed on him by any regulatory bodies during the financial year.

Ng Chek Yong

Senior Independent Non-Executive Director

Age 63 / Male / Malaysian

Mr. Ng Chek Yong completed his A Level at Cambridge Higher School Certificate, St. Patrick School, Kuching, Sarawak, Malaysia. Mr. Ng joined the Chinese Media Industry in 1979 and has served in the industry for more than 38 years until his retirement from the Media profession in October 2017. He began his career as a reporter/ feature writer with See Hua Daily News in 1979. In 1988, he joined TO-DAY News Sabah as the Chief Reporter and then was recruited by Sin Chew Media Corporation Berhad (SCMC) as a reporter on 1 August 1988. He was appointed as a Director of SCMC from 2006 until his retirement. During 2012 up to October 2017, he served as Managing Director of SCMC, prior to his promotion, he was the CEO of Mulu Press Sdn. Bhd., a wholly owned subsidiary of SCMC from 2004 to 2012 and the Regional Editor of East Malaysia for Sin Chew Daily from 1997 to 2012.

Mr. Ng was the Executive Director of Media Chinese International Limited (MCIL) from 1 March 2012 to 3 October 2017. MCIL was formed by the merger of Ming Pao Enterprise (Hong Kong), SCMC and Nanyang Press Holdings (NPH) dually listed on the Main Board of the Stock Exchange of Hong Kong and the Bursa Malaysia. He was the Chairman of the Group Executive Committee and a member of the Remuneration Committee during his executive directorship in MCIL. He was in-charge of the overall group operations of both SCMC and NPH in Malaysia and their overseas operations, including the media businesses in New York, Jakarta, Phnom Penh and Brunei Darussalam. Being in the Media Industry since the day he started his career, Mr. Ng is well versed in different means of mass communication and economic, cultural connectivity with the Chinese community. He has high level of awareness, familiarity and sensitivity to different views and life of the community, including the changes of habitual behaviour, ecosystem and trend. Mr. Ng is a literary veteran and also an active online analyst of politics, current affairs and market trend. He is currently the President of the Constellation Poetical Society Sarawak.

Mr. Ng was appointed to the Board on 2 May 2019 and was designated as the Senior Independent Non-Executive Director on 1 July 2020. He is the Chairman of the Nominating Commitee and also a member of the Risk Management Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted of any offence within the past five years. There was no public sanction of penalty imposed on him by any regulatory bodies during the financial year.

Tan Beng Ling

Independent Non-Executive Director

Age 57 / Female / Malaysian

Ms. Tan Beng Ling graduated with a Bachelor of Business Administration from the National University of Singapore in 1987 and is a CFA (Chartered Financial Analyst) charter holder.

Ms. Tan has more than 30 years' experience in investment research and fund management. She started her career as an economist with DBS Securities in Singapore, before returning to Malaysia as an equity analyst with Barclays deZoete Wedd Securities. She subsequently served with WI Carr, Arab-Malaysian Securities and was one of the founding members and CEO of Surf88.Com, an online research service provider which was an associate of The Star, the leading newspaper in Malaysia.

Ms. Tan joined the fund management industry in 2005 as the Chief Investment Officer of Meridian Asset Management, directly overseeing investments of more than RM1 billion in equities and fixed income. Before her retirement in July 2020, she was the Chief Investment Officer and a partner at Kumpulan Sentiasa Cemerlang Sdn. Bhd., which provides investment management services to institutions and high net worth individuals.

Ms. Tan was appointed to the Board on 16 April 2018 as an Independent Non-Executive Director. She is a member of the Audit Committee since 16 April 2018 and was redesignated to Chairperson on 1 August 2019. She is also a member of the Risk Management Committee, Remuneration Committee and Sustainability Steering Committee.

She has no family relationship with any other director or major shareholder of Hai-O.

She has not been convicted of any offence within the past five years. There was no public sanction of penalty imposed on her by any regulatory bodies during the financial year.

Soon Eng Sing

Independent Non-Executive Director

Age 44 / Male / Malaysian

Mr. Soon Eng Sing graduated with BSc. Business Administration (Magna Cum Laude) from Southern New Hampshire University, USA, in 1998, and obtained his Master of Business Administration (MBA) from University of Chicago Booth School of Business, USA, in 2008.

He has over 2 decades of corporate experience working in financial services and pharmaceutical companies in Singapore, Hong Kong, China and Malaysia. His expertise lies in strategic human capital management, organisation development and leadership development.

Mr. Soon was appointed to the Board on 1 December 2015 as an Independent Non-Executive Director. He is a member of the Remuneration Committee since 16 December 2015 and was redesignated to Chairman on 17 December 2018. He is also a member of the Nominating Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted of any offence within the past five years. There was no public sanction of penalty imposed on him by any regulatory bodies during the financial year.

Chia Kuo Wui

Independent Non-Executive Director

Age 43 / Male / Malaysian

Mr. Chia Kuo Wui graduated with a Bachelor of Commerce, Accounting from Curtin University Western Australia in 2001. He obtained a Charles Sturt University Master of Business Administration from Help University College Kuala Lumpur in 2006.

He joined Hai-O Corporate Planning and Investor Relations Department in 2006 and held key positions in several Hai-O Group of Companies. Prior to joining Hai-O, he has worked in 2 public listed companies. He also holds directorship in several private limited companies.

Mr. Chia was appointed to the Board on 14 November 2008 as an Executive Director and redesignated to Non-Independent Non-Executive Director on 2 January 2015. On 16 April 2018, he was redesignated to Independent Non-Executive Director. Mr. Chia is a member of the Audit Committee, Risk Management Committee, Remuneration Committee and Sustainability Steering Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted of any offence within the past five years. There was no public sanction of penalty imposed on him by any regulatory bodies during the financial year.

Tan Kim Siong

Independent Non-Executive Director

Age 44 / Male / Malaysian

Mr. Tan Kim Siong graduated with BBA & MBA from University of New Brunswick of Canada.

He acquired working experience in planning and marketing Investment Portfolios to clients when he was attached to one of the leading financial institutions in Malaysia.

Prior to setting up his own logistic firm in 2006, he was involved in housing development in Negeri Sembilan and has also gained business experience in China in the tile manufacturing industry.

He has since grown his logistic firm into one of the leading haulage companies in the industry. Throughout the years, he has acquired several companies to expand his business as a fully-integrated logistics provider.

Mr. Tan was appointed to the Board on 8 January 2014 as an Independent Non-Executive Director and is a member of the Audit Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted of any offence within the past five years. There was no public sanction of penalty imposed on him by any regulatory bodies during the financial year.

Professor Hajjah Ruhanas Binti Harun

Independent Non-Executive Director

Age 69 / Female / Malaysian

Professor Hajjah Ruhanas graduated with M.A from Sorbonne University, Paris, Post Graduate Diploma in Political Studies from Institut d'Etudes Politiques, Paris, B.A (Hons.) in International Relations and Post Graduate Diploma in Translation from University of Malaya.

She is a Professor at the Department of Strategic Studies, Faculty of Management and Defence Studies (FPPP), National Defence University of Malaya (UPNM). She is a qualified translator and has taught extensively in Malaysia and abroad amongst others she has served as the Department Head of International and Strategic Studies in University of Malaya, a Lecturer and Professor in the Department of International Relations and Security Studies, National University of Malaya (UKM) and Malaysian Armed Forced Defence College, Kuala Lumpur. Hajjah Ruhanas researches, lectures and publishes on her area of expertise which include Malaysia's foreign policy, national security and peace building and regional integration.

Hajjah Ruhanas is currently the Distinguished Fellow at the Malaysian Armed Forces Command and Staff College, Senior Fellow at the Malaysian Institute of Defence and Security (MIDAS) and Senior Fellow at the Regional Centre for Security Studies Kuala Lumpur.

Apart from making a mark as an expert on Malaysia's national security, Hajjah Ruhanas has also distinguished herself as Malaysia's leading expert on Indo-China. Besides teaching and researching, she has translated books and articles from French into Malay (published by Dewan Bahasa dan Pustaka). A linguist, she speaks fluent Malay-Indonesian, English and French, and intermediate German and basic Vietnamese. She is also actively involved in community volunteer works and NGOs.

Hajjah Ruhanas was appointed to the Board on 2 July 2018 as an Independent Non-Executive Director. She is a member of the Nominating Committee.

She has no family relationship with any other director or major shareholder of Hai-O.

She has not been convicted of any offence within the past five years. There was no public sanction of penalty imposed on her by any regulatory bodies during the financial year.

Notes:
The details of the Directors' shareholdings in the Company and its subsidiaries are disclosed on page 189 of this Annual Report.
The details of the conflict of interest with the Company are disclosed on page 94 of this Annual Report.

PROFILE OF THE KEY SENIOR MANAGEMENT

Tham Yoke Lon / Hew Von Kin / Tan Kai Hee / Tan Keng Kang / Philip Teo Kheng Leong

Tham Yoke Lon

General Manager
Age 51 / Male / Malaysian
Sahajidah Hai-O Marketing Sdn. Bhd.
(MLM Segment)

Mr. Tham graduated with a Bachelor of Arts (Mass Communication) from Universiti Kebangsaan Malaysia in 1995.

He joined the MLM segment of Hai-O as Senior Marketing Manager on 1 February 2012. Prior to joining Hai-O, he was attached with several private limited companies involved in the retailing and direct selling business.

He was appointed as the Assistant General Manager of Sahajidah Hai-O Marketing Sdn. Bhd. on 1 June 2014 and was thereafter promoted as the General Manager on 1 January 2016. He is a member of the Direct Selling Association of Malaysia (DSAM).

He has no family relationship with any other director or major shareholder of the Company and has no conflict of interest with the Company.

He has not been convicted of any offence within the past five years. There was no public sanction of penalty imposed on him by any regulatory bodies during the financial year.

Philip Teo Kheng Leong

General Manager
Age 42 / Male / Malaysian
Hai-O Raya Bhd.
(Retail Segment)

Mr. Philip Teo graduated with a Diploma in Hospitality Management from Stamford College in 1998 and Professional Certificate in Engineering (Computer / Telecommunication) from Informatics College, Malaysia in 2001.

He joined Hai-O Raya Bhd., the Retail segment of Hai-O as the Retail Operation Executive on 16 May 2005 and thereafter was promoted as the Retail Operations Manager and General Manager on 1 July 2011 and 1 July 2017 respectively.

Prior to joining Hai-O, he has gained working experience in administrative and operations of retail businesses and fast food chain companies for more than 2 years.

He has no family relationship with any other director or major shareholder of the Company and has no conflict of interest with the Company.

He has not been convicted of any offence within the past five years. There was no public sanction of penalty imposed on him by any regulatory bodies during the financial year.

"We strive to strengthen business sustainability and preserve balance sheet strength while stepping up efforts and responsiveness to face unexpected challenges"

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I am pleased to present to you the Group's Annual Report and Financial Statements for the financial year ended 30 April 2020 ("FY2020").

FY2020 was a tough financial year for the Hai-O Group as we faced unprecedented challenges from both the external and domestic front. Global economic growth moderated from 3.6% in 2018 to 2.9% in 2019 in the face of rising trade tensions. In tandem, the Malaysian economy expanded by a slower pace at 4.3% in 2019 (2018: 4.7%), registering an uneven growth across economic sectors amidst sluggish consumer spending. The Group posted lower revenue and profit across all business segments as a result of subdued consumer and business sentiments, escalating costs of operation and the sudden onslaught of the coronavirus disease ("COVID-19") crisis towards the end of the financial year. Backed by our solid foundation, the Group remained profitable in FY2020 and continued to bring sustainable returns and long-term growth to our shareholders.

Delivering Resilience in a Challenging Year

The Group reported revenue and profit before taxation ("PBT") of RM255.2 million and RM41.5 million respectively in FY2020, down 22.3% and 34.5% from RM328.4 million and RM63.4 million in the financial year ended 30 April 2019 ("FY2019").

Generally, the Group's financial results for the first three quarters of the financial year were impacted by the moderation in growth of trade activities which was mainly due to the prolonged trade disputes between US and China that affected business sentiments. During these financial quarters, we experienced consumer spending aversion which dampened sales, in particular for the MLM segment. For the last quarter of the financial year, the results were mainly reflecting the significant uncertainties surrounding the rapid spread of COVID-19 virus which suppressed economic activities from the imposition of Movement Control Order by the Malaysian Government to control the global health crisis.

The Group's balance sheet and liquidity remained strong. As at the end of FY2020, the closing cash and cash equivalents and other investments in the form of financial assets stood at RM95.9 million, marginally higher than the previous year. The Group is in a net cash position with no borrowings, which gives us great flexibility and resilience towards risks and opportunities from severe market disruptions such as the COVID-19 crisis. The equity attributable to shareholders as at the end of FY2020 was RM299.6 million (FY2019: RM310.2 million) or RM1.03 per share (FY2019: RM1.07), which was slightly lower than the previous financial year due to higher dividend payout ratios in FY2019 and FY2020.

A quick snapshot of the Group's financial performance and financial position is as follows:

Profit Before Taxation

RM41.5 million

Decrease in PBT by 34.5% was a consequential impact from reduction in revenue recorded for FY2020

Revenue

Revenue was affected by challenging business environment

RM255.2 million

Drop in revenue by 22.3% was largely due to subdued consumer spending and COVID-19 pandemic

Dividend FY2020

***RM29.0 million**

**includes proposed final dividend of 4 sen per share which is subject to shareholders' approval at the forthcoming AGM (90% payout ratio)*

72%

10 YEARS AVERAGE CASH DIVIDEND PAYOUT

Net Assets
(equity attributable to owners of the Company)

Financial position of the Group remained strong

RM299.6 million

Marginal decrease from previous year was due to higher dividend payout for shareholders

Sustaining Long-Term Returns to Shareholders

As a commitment to bring sustainable returns to shareholders, the Group has continued to reward shareholders via dividends. Based on the performance of the Group in FY2020, the Board had declared a first single tier interim dividend of 3 sen which was paid on 5 March 2020. Following this, a second single tier interim dividend of 3 sen was declared by the Board and was paid on 16 June 2020. Coupled with the proposed final dividend of 4 sen which is subject to the shareholders' approval at the forthcoming Annual General Meeting ("AGM"), the total dividend in respect of FY2020 is 10 sen per share (FY2019: 13 sen). The total dividend in respect of FY2020 was decided upon by the Board after taking into account the capital discipline and prudent balance sheet management. The dividend payout ratio was increased from 80% in FY2019 to 90% in FY2020 as we recognize that shareholders value stable dividends, more so during a time of economic crisis due to the COVID-19 pandemic.

Hai-O has historically delivered consistent cash dividends to shareholders. In 2006, we formalised our dividend policy with a payout ratio of not less than 50% of the Group's profit after taxation. Our average dividend payout ratio of 72% between FY2011 and FY2020 has noticeably exceeded the stipulated minimum of 50%.

Bracing for further challenges ahead

Looking forward, another difficult year is in sight with expectations for a synchronized global recession. We note that rising trade tensions as a big negative undercurrent while the world adjusts to a "new normal" to manage protracted challenges from COVID-19. Furthermore, the extended regime of low interest rates has created pockets of bubbles, vulnerability and risks across the world, and there seems no respite as central bankers continue to rely on liquidity for crisis management.

According to Bank Negara Malaysia, the baseline projection for Malaysia's economic growth is between 0.5% and -2.0% in 2020 (2019: 4.3%), setting a challenging backdrop for the Group's consumer-centric businesses. We expect consumer demand to remain subdued as the recovery for economic activities and employment will be gradual. In addition, we see further cost pressures arising from supply disruptions due to COVID-19.

The Hai-O Group is bracing for further storms and will continue to direct efforts towards strengthening our foundation by undertaking various initiatives for business sustainability while preserving the strength of the Group's balance sheet. We will continue to step up efforts and responsiveness to face any foreseeable and unexpected challenges. This includes fast tracking the digitalisation for both business and operations, future-proofing our talents to operate under the "new normal", rationalising operating costs without retrenching, and also working to widen products lines focusing on basic and essential goods. These initiatives are expected to strengthen sustainability across all business segments, backed by the Group's strong foundation and our established image as a premier healthcare company. We see a crisis year marked by heightened uncertainties, but in the Chinese language, the word "crisis" is made up of "risk" and "opportunity". We strive to turn "risk" into "opportunity" with the right positioning and strategy as we face and manage the "new normal" with our highly dedicated team of Management, employees and MLM distributors/members.

Board Changes

I would like to take this opportunity, on behalf of my fellow directors, to thank Mr. Chow Kee Kan @ Chow Tuck Kwan, who has resigned from the Board on 4 May 2020 due to other business and work commitments. Mr. Chow has served for 9 years since April 2011, and his wise counsel has been invaluable to the Group. With sincere gratitude, we wish Mr. Chow all the best in his future business undertakings.

Update on Sustainability Commitment

Our objective of providing satisfactory returns to shareholders goes hand-in-hand with our focus on the interests of employees, customers, suppliers, the environment and the communities in which our businesses operate. We strongly believe that our business visions and strategies to seek operational efficiencies and profits should be grounded in our fundamental core values which include social philanthropy. We regularly review and reassess the impact of our businesses on the economy, environment, society and overall governance of the Group. The Group's inaugural Sustainability Statement was first published in August 2018 and has since been updated on an annual basis.

Our approaches to sustainability as embedded in our strategies, values and cultures are set out in the Sustainability Statement on page 29 to 63 of this Annual Report.

Appreciation and Acknowledgement

The Group has weathered this difficult environment with resilience and we hope to emerge stronger as we brace for further challenges ahead. I would like to thank the Management and employees for their commitment and hard work to bring sustainable returns to shareholders. My deepest appreciation also goes to our incredible MLM distributors/members whose hard work and dedication has continued to drive the Group to greater heights. I am grateful to my fellow Directors for their contribution and guidance which has helped to steer the Group through this challenging financial year. Last but not least, I would like to conclude this review by thanking all shareholders, on behalf of the Board, Management team and all employees, for your continued support.

Tan Kai Hee
Group Executive Chairman
3 August 2020

AWARDS

Centurion Of The Year

Highest Growth in Profit After Tax Over Three Years
(Consumer Products & Services Sector)

Highest Returns to Shareholders Over Three Years
(Consumer Products & Services Sector)

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

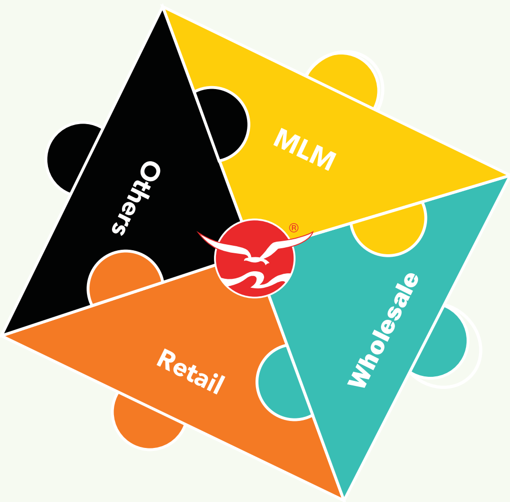
BY GROUP MANAGING DIRECTOR

"Managing Business Complexity for Sustainability"

This MD&A outlines the review of the financial and operational performance of the Hai-O Group for the financial year ended 30 April 2020 ("FY2020"). We start with the review of our overall financial performance in FY2020, which sets the backdrop to review the individual operating segments which provide greater details of their respective business plans formulated in response to the very challenging business environment in FY2020.

Some of the statements contained in this MD&A that are not historical facts are statements of future expectations with respect to financial results and positions, operations and businesses, and business plans. Forward-looking information is based on Management's views and assumptions, taking into account prevailing economic and market conditions. While we endeavour to keep shareholders abreast of key developments, mid-term direction and the health of business operations for FY2020 and the coming financial year, this should not be construed as a representation of future performance or commitment. Given such uncertainties, readers are cautioned and advised not to place undue reliance on the forward-looking statements.

There were no significant adjustments or fundamental shifts in the Group's business focus in FY2020. Multi-Level Marketing ("MLM"), Wholesale and Retail continues to be our three major core business segments which collectively contributed approximately 92% of Hai-O Group's earnings in FY2020. Our non-core divisions of manufacturing, credit & leasing, insurance agency, investment and property holdings contributed the balance 8% of the Group's earnings.



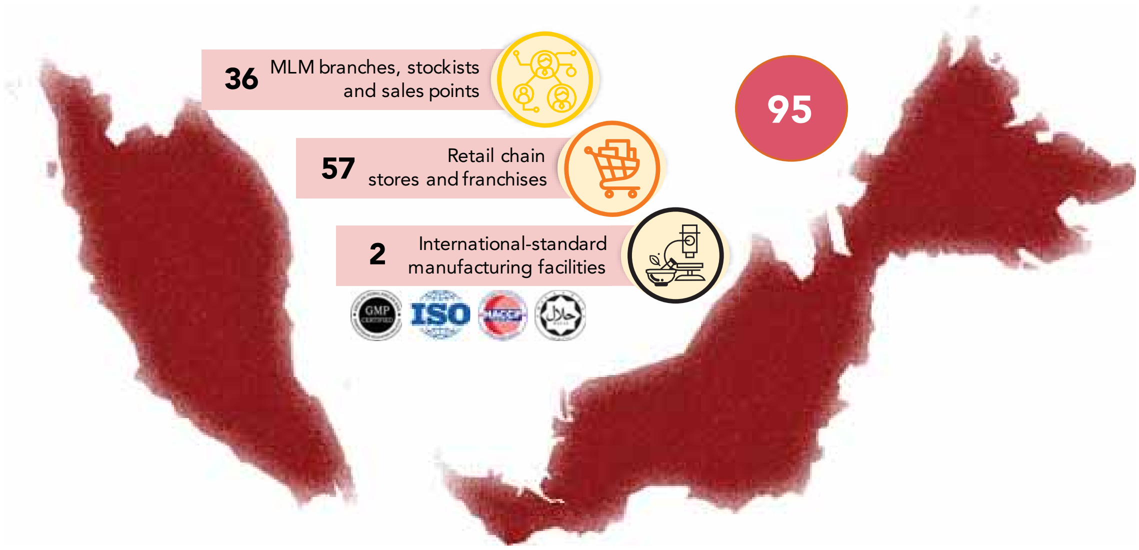
MLM
Multi level direct marketing of nutritional food & beverage, wellness supplements, skincare, beauty & cosmetic, personal care and household products

Wholesale
Wholesaling and trading in patent medicines, medicated tonic, healthcare products, herbs and tea

Retail
Operating traditional complementary medicines ("TCM") retail chain stores and provide Chinese physician consultation services

Others
Including manufacturing, credit & leasing, insurance agent, investment and property holdings

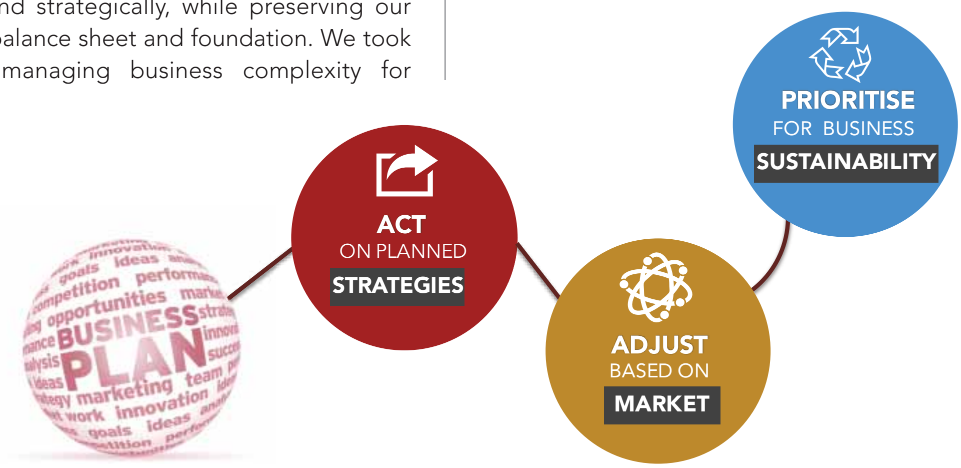
Our Brick & Mortar Presence



The Group continues to operate and distribute our products primarily in Malaysia. Although we have ventured to Indonesia, Brunei and Singapore through business collaborations with the locals to distribute some products, there was no significant business development from our overseas businesses during the financial year. The Group has in total 95 brick and mortar presence in Malaysia complementing our growing digital platforms.

The operating environment for the Group's businesses was challenging and constantly evolving in FY2020. On the external front, the escalating US-China trade disputes brought great uncertainties to overall business sentiments even before the sudden and severe outbreak of coronavirus disease ("COVID-19"). In Malaysia, the unexpected change in Government came just before the onslaught of COVID-19. Facing the inevitable setback in business activities, revenue and profits, the Group's priority was to respond and reposition nimbly and strategically, while preserving our strong core values, balance sheet and foundation. We took the challenge of managing business complexity for sustainability in our stride as we deployed resources effectively to empower our people, products and operations in the very taxing FY2020.

FY2020 presented multiple challenges amidst heightened uncertainties, which required us to make constant adjustments to our priorities and the way we work. Over the last 12 months, we have worked through many issues and challenges, some of which were unprecedented. With our sound fundamentals helmed by a steady and agile Management team, we have initiated a number of business initiatives with a prudent Management oversight to strengthen sustainability and to further fortify our position. We have made adjustments to our product offerings, the approaches to attract, reward and retain customers/members/distributors, business and marketing strategies while also taking a further leap to digitalise both our businesses and operations.



Financial Results

As a consumer-centric Group, we are glad to have weathered FY2020 with resilience as we continue to chart profit for the financial year. This was against a challenging backdrop with various headwinds globally and domestically, including the protracted US-China trade war, sluggish domestic sentiment and regulatory uncertainties, as well as the unexpected change of the Malaysian Government and the COVID-19 shock towards the end of the financial year.

RM255.2 million

REVENUE

-22.3%

DECLINE y-o-y

Key Facts
- Weak consumer sentiment which affect consumer demand for the Group's products
- The Group's operations operated at minimum level at the start of the MCO and operated partially following upliftment of certain restrictions

The Group's revenue declined 22.3% year-on-year ("y-o-y") to RM255.2 million in FY2020, with lower revenue in all three major operating segments of MLM, Wholesale and Retail. Cautious consumer spending aggravated by the COVID-19 outbreak dealt a big blow to our operations across the board. The MLM segment reported a substantial decline in revenue of approximately 30.3%, while the Retail segment also posted a 9.4% y-o-y drop in revenue after its operations came to almost a standstill upon the commencement of Movement Control Order ("MCO") on 18 March 2020.

In comparison, the Wholesale segment was relatively resilient with negligible drop in revenue of 2.7%.

RM41.5 million

PROFIT BEFORE TAXATION

-34.5%

DECLINE y-o-y

Key Facts
- Adverse impact from the drop in the Group's revenue
- Gross profit and operating margin were generally maintained as compared to previous financial year due to proactive cost optimization efforts

Correspondingly, the Group's profit before taxation ("PBT") fell 34.5% y-o-y to RM41.5 million. Generally, the profitability of the Group was primarily affected by the declining revenue recorded for the financial year. Indeed, gross margin of the Group improved slightly to 38.9% (FY2019: 38.3%) in FY2020 although operating profit margin fell to 16.0% (FY2019: 19.0%) after incorporating several one-off expenses and provisions.

Strong Balance sheet

The financial position of the Group remained strong with total assets of RM361.7 million against total liabilities of RM51.5 million as at 30 April 2020. Close to 60% of total assets were in the form of liquid assets comprising inventories, trade receivables, short-term financial investments, and cash and cash equivalents. As at the end of the financial year, the Group was in a net cash position with zero borrowings. Total equity attributable to shareholders fell marginally to RM299.6 million (equivalent to RM1.03 per share) as at 30 April 2020, compared to RM310.2 million (equivalent to RM1.07 per share) as at 30 April 2019. The slight drop in total equity attributable to shareholders was mainly due to higher dividend payout ratios in FY2019 and FY2020.

Cash and Capital management

Amidst the ongoing macroeconomic challenges, we have continued to exercise prudence especially in terms of cash and capital management. No major expenses were incurred for investing and financing activities in FY2020. We maintained a healthy liquidity position with cash and cash equivalents plus other short term investments in cash and money market funds of RM95.9 million as at 30 April 2020 (FY2019: RM95.1 million). The major cash outflow item incurred for the financial year was cash dividends paid to shareholders of RM35.1 million, of which RM26.1 million was in respect of the financial year ended 30 April 2019. The high cash holding of the Group is reflective of our business operations which are mostly transacted in cash. Besides providing sufficient liquidity to support growth, a high cash holding also gives the Group great flexibility and resilience which is particularly important during uncertain times like the prevailing COVID-19 crisis.

Review of Segmental Operations

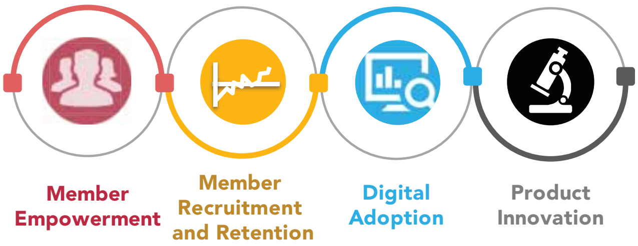
MLM Segment

Since 1992 when the Group ventured into the MLM business, Hai-O's MLM segment under Sahajidah Hai-O Marketing Sdn. Bhd. ("SHOM") has made meaningful contributions to the Group both in terms of revenue and profits. In FY2020, MLM remained the major contributor to the Group's revenue and profits, supported by 114,000 MLM members who distributed more than 250 stock keeping units ("SKU") of a wide range of products including nutritional food & beverage, wellness supplements, skincare, beauty & cosmetic, personal care and household products. As at the end of FY2020, the MLM segment operated 13 branches, of which 6 were located in East Malaysia. Apart from self-managed branches, the MLM segment was supplemented by 21 stockists and 2 sales points across Malaysia for efficient logistic and stock management.

The performance of the MLM segment was stifled in FY2020 due to sluggish consumer spending in the wake of weak market sentiment, political uncertainties following the unexpected change in Government, and the COVID-19 pandemic-fuelled economic downturn. The MLM segment recorded a revenue of RM156.7 million and PBT of RM32.5 million in FY2020, representing respectively a decline of 30.3% and 31.4% from the last financial year.

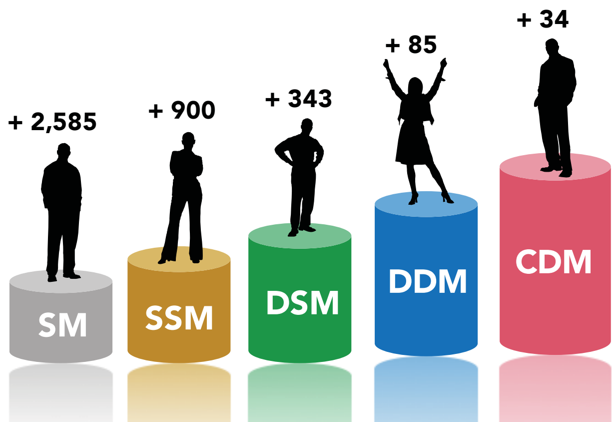
The full-year results, however, has masked the underlying improvement recorded in the final quarter of the financial year, which underscored Management's efforts to re-strategise the MLM business in response to the "new normal". We are heartened by the encouraging performance but also recognise the need to constantly anticipate, respond and adjust to evolving changes during prevailing uncertainties. It is crucial for the Group to remain proactive and further build on the momentum to fortify business sustainability in order to strengthen our resilience in the face of challenges.

The MLM segment primarily focussed on the following areas to reinforce segment sustaintability during the financial year:



Member empowerment – Distributors are the drivers of MLM sales. Every year, we allocate substantial resources to empower and motivate our distributors in appreciation of their hard work to bring sustainable returns to the Group. Mega events are held each year to achieve the following objectives:

- To appreciate and recognise the achievements of outstanding leaders and distributors;
- To create a platform for engagement and interaction among distributors;
- To uphold morale and sustain sales momentum of distributors; and
- To introduce new/refreshed products.



SM : Sales Manager
SSM : Senior Sales Manager
DSM : Diamond Sales Manager
DDM : Double Diamond Manager
CDM : Crown Diamond Manager

During FY2020, we commemorated nearly 4,000 individuals who achieved outstanding sales through the SM/SSM Recognition Event, Diamond Night and SHOM 27th Anniversary Celebration.

The outstanding and dedicated MLM distributors recognised at SM/ SSM Recognition Night.

The mega events received overwhelming response from members each year. Despite the tough economic condition, underlying morale and interests remained strong. For SHOM 27th Anniversary Night alone, SHOM hosted approximately 6,000 esteemed members. More than 2,500 members participated in the Diamond Night and nearly 2,900 participants gathered in Setia Spice Convention Centre in Penang to recognise the achievements of SM and SSM.

We also hosted a SM/SSM Recognition Night in East Malaysia, attended by more than 800 members.

As part of our member empowerment initiatives, we also organized conferences as platforms for interaction, feedback, strategic reviews and exchange of ideas between the highest ranking leaders i.e. Crown Diamond Managers and the Management. Two conferences were held during the financial year, i.e. Majlis Hari Raya in June 2019 and CDM Conference in January 2020.

The MLM segment has traditionally been incentivising distributors to push sales through overseas trips qualification. However, weak consumer demand has made it increasingly challenging for members to meet the qualifying sales targets, especially for premium incentive trips. SHOM organized 2 incentive trips during the financial year, i.e. Melbourne in August 2019 and Bangkok + Pattaya in January 2020. With restricted travels due to COVID-19, incentive trips will be temporarily suspended but Management has and will continue to introduce alternative incentives to motivate distributors, bearing in mind the prevailing market circumstances.

Incentive Trip reward serves to recognise the commitment of distributors and foster distributors' engagement.

Member recruitment and retention – In tandem with the weak market condition, SHOM has experienced a declining trend in members' recruitment and renewal for most of the financial year. Many brain-storming sessions were held to review, reposition and re-strategise. Among the new initiatives rolled out for members' recruitment and renewal in FY2020 was B-XTRA, a business starter plan offering extra savings, product rebates, bonus and rewards for members to build a career through the distribution of MLM products. After the commencement of MCO, SHOM promptly rolled out "Join For Free" (no joining fee for new members) and "Earn From Home" promotions to push online sales to consumers required to stay at home. Promotions were also held to drive membership renewal with selected gifts as added incentives, including a carnival roadshow in East Malaysia to reinvigorate inactive members through the distribution of special gifts for purchases made during the roadshow. To sustain buying interests, "Flash Sales" were organized for targeted products at promotional prices. As a result of these initiatives, we maintained a distributors force of 114,000 members at the end of the financial year. Although this still represented a drop of 6% compared to the last financial year, the retaining members are the loyal and productive distributors force of the MLM segment.

Digital adoption – COVID-19 outbreak has impacted almost every aspect of people's lives in many parts of the world, forcing businesses to adapt, adjust and renew for survival. Among others, the outbreak has accelerated digital progress for many businesses including SHOM. As the Group has already invested in digital operating models/enablement over the years, Management was able to quickly adapt to galvanise distributors and push MLM sales online, hence demonstrating operational resilience and business sustainability during the COVID-19 health crisis. As many businesses scrambled to adjust to the "new normal", SHOM staged an impressive turnaround in membership in the COVID-19-hit months, leveraging on the functional deployment of social media, online training, e-commerce, tele-assistance and in-house applications in the pursuit of business continuity.

As social media is all about building a presence to boost user engagement and deliver better customer experience, SHOM updates its digital contents on Facebook and Instagram on a regular basis with new daily postings and engagement activities. In addition, digital contests, online product tutorials, product videos and product recipes are uploaded and regularly updated on SHOM official social media sites. Notable mentions for some of SHOM's advertising and promotional activities included "MisiKonfemCun" and MinKaffe & Sweetality Recipe Videos. "MisiKonfemCun" was a digital Ramadhan & Raya Festive Campaign to promote SHOM products for Hari Raya, while MinKaffe & Sweetality Recipe Videos were made in collaboration with Chef Suwarsi to showcase 2 products. As social media provides a good platform for product endorsements, SHOM also conducts campaigns to seek product feedback through its social media platforms. 3 new products - PB Therapants, Boxer and Infinence Treatment Serum have received more than 100 positive testimonials from members, which had boosted sales.

With the MCO providing an added boost to SHOM's digital push, e-commerce usage by members rose to account for 11.9% of total MLM sales in FY2020 (FY2019: 7.5%). The latest crisis only goes to reinforce our belief that investment in digital infrastructure is imperative for the future. Besides the good progress, we have achieved in digitalising operations and sales, we also need to be ready for the big data era to keep abreast of ever changing consumer preferences, consumption patterns and trends.

NEW PRODUCT LAUNCHING AROUND THE YEAR

Product innovation – Product innovation is key to the success of SHOM. We strive to be market sensitive and responsive to changes in consumer preferences and devote substantial resources to innovate and upgrade products. SHOM launched a total of 15 new products with 33 SKU in FY2020. Taking into account the reduced spending power of consumers generally, our product innovation and development efforts in FY2020 were mainly directed towards small ticket items such as cosmetics and skincare. Among the new product launched in FY2020 were:

(1) Cosmetics: Cozuma High Precision Liquid Eye Liner, Cozuma Fiber Lash Mascara and Cozuma Long Lasting Eyebrow Pencil; and
(2) Deluxe skincare: Infinence Aqua Radiance Hydrating Serum, Infinence Blemish Control Treatment Serum and Infinence V-Perfect Shaping & Lifting Serum.

We are proud of the overwhelming response from SHOM members following the launch of PB 360 Thera Pants in FY2020. PB 360 Thera Pants, which combines the benefits of "Push-Lift-Lock-Support", is the outcome of extensive product development and market research. We use high-technology fabrics from Korea, Japan and the US to create a single outfit that is cooling and helps to shape via honeycomb and magnetic crystals technology. Unlike the traditional single-purpose shaping lingerie, PB 360 Thera Pants also promotes other health benefits such as improving blood circulation and correcting posture. Riding on the success of PB 360 Thera Pants, SHOM plans to introduce more products based on the same technology and concept.

The outstanding customers were recognised by the Company at the Pagoda Night.

Wholesale Segment

For more than 40 years, Hai-O has been a trusted wholesaler for other wholesale customers and retailers including Chinese Medical Halls, restaurants, supermarkets, hypermarkets, pharmacies and convenience stores. In FY2020, the Wholesale segment served more than 100 wholesale customers and 2,000 retailers across Malaysia. We distribute more than 200 branded products in Malaysia. Our products range from premium quality traditional medicines, Chinese herbs, teas, food supplement to health tonics and wines. Our products are primarily sourced from China, Taiwan, Japan, Scotland and Australia. Our established market position in wholesaling is earned through the delivery of quality products via efficient logistic services which provides confidence and assurance to our product principals and customers. The Wholesale segment is also the centralised purchasing unit for the Group's MLM and Retail segments.

In FY2020, the Wholesale segment recorded marginally lower revenue of RM57.4 million (FY2019: RM59.0 million), and a 47.2% decline in PBT to RM5.7 million (FY2019: RM10.8 million). Higher sales of Pu-Er tea and export of bird nest products were offset by reduced demand for Chinese medicated tonic, cooking wine and patented medicine. The division was affected by the commencement of MCO which prohibited the delivery of non-essential products and restricted business activities of some customers such as restaurants and duty-free shops. Margins took a bigger hit due to lower contribution from inter-segment sales in addition to an unfavourable shift in product mix and higher import costs.

In the first half of FY2020, the Wholesale segment continued its strategy to expand and secure more product agencies, target younger customers and broaden its distribution channel to high volume businesses such as supermarkets and hypermarkets. This included the rebranding and repackaging for selected products to rejuvenate product images and the remodelling of advertising and promotional ("A&P") programmes to lift sales. At the same time, various initiatives were implemented to recognise and reward customers, including the Jiang Nan Business Incentive Trips which rewarded 37 wholesale customers who met stipulated sales targets, the Pagoda Night held in Genting International Convention Centre attended by more than 700 customers and the Kavalan Dinner which attracted approximately 200 participants.

Cooking demo using Hai-O's product.

First half of FY2020

Implement planned strategies for the year

2nd half of FY2020

Refresh strategies to weather slowdown in consumer spending and business disruptions from COVID-19

Wholesale segment strategies

Market and Products expansion	Advertising and promotional ("A&P") activities	Managing supply chain disruption	Efficient logistics management	Discovery of new potential under new normal

Execution of strategies set for the financial year

- Agencies expansion for targeted products for young generation
- Broaden market reach to more supermarkets and hypermarkets

- Repackaging and rebranding of selected products to rejuvenate product images
- Remodeling of A&P initiatives

Responsive strategies adjustments

- Close liaison with suppliers
- Stockpile essential fast moving products
- Manage product demand

- Adjustment of priorities
- Smart assortment and smart delivery management system

The second half presented a totally different set of challenges with the sudden outbreak of COVID-19. The segment sources extensively from China and hence faced logistic constraints when China became the first COVID-19 epicentre in January 2020. The Wholesale team immediately took actions, working closely with suppliers and customers to support a coordinated and effective response to pre-empt potential supply chain failures. A systematic approach was taken to manage the situation, identifying critical products which require stock piling and dynamically balancing inventory needs with anticipated demand and order volume. To avoid excessive stock piling, the Wholesale segment deployed "Rationing or Switching" strategies to ration orders by customers and/or suggest product substitutes in the event of low stock levels. In response to logistic hurdles, "Smart Assortment and Smart Delivery Management" was adopted during the MCO period to prioritise delivery and manpower planning in order to maximise operational efficiency and to meet the demand for essential goods from high volume customers.

On a positive note, we are glad that the Wholesale segment has demonstrated its ability to sustain business operations in the midst of unprecedented challenges and further entrench Hai-O's image as a trusted and reliable wholesaler. The COVID-19 crisis has also propelled and motivated the division to place even greater emphasis on risk controls while further expediting business reforms to support business continuity.

We aim to improve the depth of our wholesale product range and customer base and will also shifting to more digital A&P to build a presence with the younger generation.

Retail Segment

The Retail segment is the Hai-O Group's brand advocate and the most visible point of engagement for our loyal customers, our quality products, and our friendly outlet representatives. Our 57 retail chain stores and franchises across Malaysia provide easy access to customers who would like to feel and touch our products. As a value-added service, traditional Chinese medical professionals are available at selected locations to provide general medical and consultation to customers.

As expected, the Retail segment has been hit hard by the slowdown in the overall economy as well as the COVID-19 pandemic, recording a 9.4% drop in revenue to RM36.7 million (FY2019: RM40.5 million) in FY2020. The Retail segment defended its profitability well in the first 3 quarters of the financial year but took the brunt of the imposition of MCO from 18 March 2020. The Group's retail outlets operated at minimal levels during the 1st phase of the MCO, and operating hours were scaled back to contain costs when most retail outlets resumed business during the 2nd phase of MCO. With lower revenue and added costs to implement standard operating procedures ("SOP") during MCO, the Retail segment narrowly averted a loss position and managed to just break even in FY2020 (before factoring in MFRS 16 impact on leases), compared to a profit of RM0.9 million in the previous financial year.

Similarly with our MLM and Wholesale segments, the Retail segment took proactive measures to bolster sales amidst subdued consumer sentiment in the first half of the financial year, and promptly re-strategised to overcome COVID-19 challenges in the last quarter of the financial year. Among which, the segment implemented action plans to optimise costs, promote the adoption of digital platform, expand distribution channels and embrace new SOP for the safety of our valued shoppers and employees.

Optimising cost – High operating cost in the Retail segment has long been a constraint on profitability, especially in view of the largely fixed nature of rental and manpower as the two major cost components. As such, the Group needs to stringently track the profitability of each retail outlet to optimise performance. In FY2020, Management shortened business hours for several retail outlets to reduce overtime costs via single work shift during MCO. At the same time, we successfully obtained rental concessions for many outlets. These cost containment initiatives have helped the division to avert a loss position in the trying year.

Harnessing digital potentials – On the digital front, COVID-19 has propelled the Retail segment to further step up digitalisation. Action plans rolled out to expand our e-commerce reach during the MCO included Hai-O e-store special rebates, e-store special coupons, Facebook Live broadcasts, "When We Are All Together" family videos and photos contest, and Maxis Business - #KitaSapotKita# Youtube Interviews. We are glad to have been able to capitalise on opportunities arising from the MCO which forced even previously reluctant customers to shop online, and would work hard to retain them to help diversify from the brick-and-mortar business model.

Re-balancing distribution platforms – To extend the reach beyond our in-house e-commerce platform, the Retail segment has also actively explored the potential of new distribution channels through e-market places such as Lazada and Shopee. At the time of writing, Management is at an advanced stage of finalising terms and conditions to develop more online distribution platforms. We hope to participate in this inevitable trend which is shaped by consumer behavior and expected to gain further momentum in the "new normal".

Adapting to the "new normal" – The "new normal' is not just about digitalisation and new SOP. We need to actively anticipate and respond to changes in lifestyle and market trends, and this will be an ongoing and evolving process. To cater for customers' demand, we have added more health supplements to help build immunity, besides making available COVID-19 related products such as masks and sanitizers. With an established image in premier healthcare products, Hai-O hopes to ride the "new normal" in a win-win way in the best interests of our customers, shareholders, employees and the community at large.

During the financial year, promotions were also held for special occasions such as the Chinese New Year, and also in collaboration with brand owners and banks to tap a larger consumer base. Events held included Flash Sales promotion, Buy 2 Free 1 sales campaign for Korea Ginseng Corporation (正官庄), and bundled promotion campaign for house brand products such as Hai-O MingZhu Bai Feng Wan, Hai-O Cordyceps Capsules and Hai-O Imperial Instant Bird's Nest. We received positive response for the joint promotional activities with banks such as Maybank QR Pay Cashback Promotion and Public Bank Credit Card Promotion. For the first time, the Retail segment collaborated with the Malaysian Retail Chain Association ("MRCA") through the distribution of promotional coupons exclusively for MRCA members.

Roadshow to showcase our star products and create brand awareness.

On the product front, we launched Honbo JFlex Capsules for bone health in FY2020, offering Hai-O Friendship members the opportunity to pre-order before the official debut.

Other Operating Activities

The Group also generates income from:
(i) rental of investment properties;
(ii) manufacturing of TCM and food supplements; and
(iii) credit & leasing business.

Revenue generated from other operating activities has been fairly consistent at around RM4 million per annum for the last 3 financial years, with the bulk coming from rental and manufacturing activities. In FY2020, segmental revenue of RM4.3 million was marginally higher than RM4.0 million in FY2019, thanks to a new tenancy secured for one of the Group's investment properties. However, segmental profit was lower at RM3.4 million (FY2019: RM4.3 million), dragged by reduced contribution from manufacturing activities and a one-off legal expense of RM0.5 million. Overall, we expect contributions from "Other Operating Activities" to remain fairly stable.

Outlook And Growth Enablers For FY2021

The impact of COVID-19 on the global economy is severe. Global economic conditions remain weak with global growth projected to be negative for the year. Although a trough is expected in the second quarter, broad-based weakness in labour markets and precautionary behaviour by households and businesses could affect the recovery going forward. Downside risks to the global outlook remain, especially if a resurgence of the pandemic necessitates the reintroduction of containment measures. For Malaysia, economic activity contracted sharply in the second quarter of the year, due to measures introduced to contain the pandemic globally and domestically. Following the gradual and progressive re-opening of the economy since early May, economic activities have begun to recover. The fiscal stimulus packages, alongside monetary and financial measures, will continue to underpin the improving economic outlook. The projected improvement in the domestic economy is expected to be further supported by a gradual recovery in global growth conditions. The pace and strength of the recovery, however, remain subject to downside risks emanating from both domestic and external factors.

(Source: Monetary Policy Statement Press Release by Bank Negara Malaysia on 7 July 2020)

In the latest update, Bank Negara Malaysia painted a cautiously optimistic picture for the domestic economy upon its progressive opening in May 2020, but also highlighted downside risks emanating from both domestic and external factors (see boxed statement).

This sets another challenging backdrop for the Hai-O Group in the new financial year. Indeed, the prospect for a synchronised global recession casts a long shadow, with the COVID-19 pandemic remaining a central issue as its domino effect continues to unfold and reverberate amidst rising risks for a second wave. The Greek philosopher Heraclitus said, "Change is the only constant in life", and this cannot ring more true during such unprecedented times. After weathering the difficult year of FY2020, we believe we have further honed our readiness to adapt and respond to expected and unexpected changes, which is the core of business sustainability. We will continue to balance our long-term strategies and objectives with adjustments necessary to meet short term changes, to stay relevant in the market, and to strengthen our foundation and sustainability.

Effective product strategy, digital adoption drive and distribution channels expansion are expected to be the key focus areas for the Group in FY2021 as we position to further fortify our position as an established healthcare company in Malaysia. Amidst subdued sentiment, we are hopeful that various Government measures, including broad-based assistance and incentives, policy stimulus packages as well as several rounds of Overnight Policy Rate reduction by Bank Negara Malaysia, would help to bolster consumer spending. As we tailor our product strategy to prevailing market conditions, the focus will be on essential health products with low to medium pricing. Digital platforms enhancement will be an ongoing process across all major business segments to reduce our dependency on physical business, automate and streamline operational processes, and to ensure continuity of businesses with minimal interruption in the event of crisis. We also plan to further leverage on social media, digital advertising, live broadcasts and e-training to build brand awareness, improve product presence, expand customer base and optimise costs. Elsewhere, we will intensify efforts to expand our distribution footprint to supermarkets and e-market places to further broaden our reach.

With targeted strategies led by our dedicated and proven Management team, we are ready for another challenging year. We are poised to emerge stronger as we continue to create values for all stakeholders through sustainable and prudent long-term growth.

Appreciation

FY2020 was not an easy year for Hai-O. We are glad to have stayed the course and made strategic adjustments to strike an optimal balance between short-term priorities and long- term growth. The Group's business sustainability is the culmination of support received from key stakeholders whom we would like to acknowledge. My utmost gratitude to my colleagues on the Board, our loyal Management and employees, and our dedicated MLM distributors. If not for your passion, hard work, commitment and perseverance, we would not have been able to overcome the challenges and obstacles in FY2020. We would also like to express our heartfelt thanks to various ministries, government agencies, suppliers and other business partners for their support and contribution. We continue to look towards the generous support of all stakeholders as we work to create sustainable values in future.

Appreciation also goes to our shareholders for your belief in the Group and our ability to deliver sustainable values. It is our commitment that our journey will always be planned with your interests at heart.

Thank you.

Tan Keng Kang
Group Managing Director
3 August 2020

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

Hai-O Enterprise Berhad ("Hai-O") Sustainability Statement 2020 ("Statement") offers a company-wide overview of Hai-O's ongoing efforts related to economic, environmental, social and governance matters.

In addition to the term "Hai-O", in this Statement "Group", "we", "us" and "our" are also used to refer to Hai-O and its subsidiaries.

This Statement has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option. This Statement also complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). We have also considered the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits in the preparation of this Statement.

Reporting Basis And Scope

Information contained in this Statement reflects Hai-O's sustainability progress from May 1, 2019 to April 30, 2020, unless otherwise stated. Following our previous 2019 Sustainability Statement issued in August 2019, this Statement provides an update of our performance across our most material issues and is based on a materiality assessment conducted in 2019 which has considered both our internal and external stakeholders. We will continue to publish our progress on sustainability efforts on an annual basis.

This Statement discloses the sustainability performances of our corporate office in Klang, Selangor as well as the Group's main revenue generating segments including Multi-Level Marketing (MLM), Wholesale, Retail and Manufacturing segments.

The MLM segment is operated by Sahajidah Hai-O Marketing Sdn. Bhd. ("SHOM") with presence in Malaysia, Indonesia and Brunei. The Wholesale segment is operated by Hai-O Enterprise Bhd., Hai-O Medicine Sdn. Bhd., Kinds Resource Sdn. Bhd., Grand Brands (M) Sdn. Bhd., Chop Aik Seng Sdn. Bhd., Yan Ou Holdings (M) Sdn. Bhd. and Yan Ou Marketing (Intl) Sdn. Bhd. The Retail segment is operated by Hai-O Raya Bhd., with 57 outlets including franchises across East and West Malaysia. Lastly, the Manufacturing segment is operated by SG Global Biotech Sdn. Bhd. and QIS Research Laboratory Sdn. Bhd.

This Statement is prepared as part of Hai-O's established process for the management of business sustainability, which is discussed in detail in the following sections. The Sustainability Focus Areas and materiality sustainability matters which are identified via the application of materiality principle, largely remained to be relevant and material compared to that discussed in our previous 2019 Sustainability Statement.

Assurance

Internal validation process has been undertaken in the preparation of this Statement. This Statement has not been externally assured.

Contact Us

Further information on Hai-O's policies and management processes is available on our corporate website at www.hai-o.com.my. Should you have questions on this Statement, please contact us at ir@hai-o.com.my.

OVERALL APPROACH TO SUSTAINABILITY

Since Hai-O's listing on the then Second Board of the Kuala Lumpur Stock Exchange ("KLSE" or "Bursa Securities") in 1996 as the first traditional healthcare company, we have strived to create long-term credibility and value-added growth not only for our shareholders and investors, but also for our employees, customers and other stakeholders. Hai-O was subsequently transferred to the Main Board of Bursa Securities in October 2007.

Recognising the need for a sustainable future, we have formulated our Sustainability Policy based on the Group's Sustainability Strategy that fulfil our Mission, Vision and Corporate Values as well as the aspirations under the Sustainable Development Goals (SDGs) of the United Nation ("UN"). Our Sustainability Policy and Sustainability Strategy focuses on five Sustainability Focus Areas, namely Economy, Governance, People, Product, and Planet.

HAI-O SUSTAINABILITY STRATEGY

MISSION

We are committed to promoting healthcare culture and improving human's well-being.

VISION

We aim to become the premier healthcare company in Malaysia, thereby bringing the greatest value and pride to our customers, business partners, employees and shareholders.

By embracing business opportunities and managing risks, cherishing our people and executing our social and environmental responsibilities to deliver sustainable stakeholder value, we strive to build a strong and resilient business.

We are committed to uphold our

CORPORATE VALUES

S E A G U L L

Social Responsibility, Excellent Services, Attitude, Growing, Unity, Loyalty, Learning

OVERALL APPROACH TO SUSTAINABILITY (CONTINUED)

Key Sustainability Focus Areas

Hai-O's Sustainability Policy outlines our five (5) key sustainability focus areas:
Economy, Governance, People, Product and Planet

Economy

We shall create business and employment opportunities, recruit local talent, embed sustainability in our procurement practices and throughout our value chain, provide a skill development and business collaboration platform for distributors, and instil the "Hai-O My Choice for Life" team spirit.

1 NO POVERTY

8 DECENT WORK AND ECONOMIC GROWTH

People

For our employees, we shall ensure a safe and conducive workplace, provide fair remuneration, foster talent development and performance management system, provide regular training and development programmes, encourage employee involvement in Kelab Muhibbah Hai-O and provide recognition for high-performing and loyal employees, teams and franchisees.

For the community, we shall strive to bring a positive impact, encourage quality education, support vulnerable community, and continuously spread health awareness and community harmony.

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

Governance

We shall prioritise compliance throughout our value chain, adhere to laws, regulations and internal conduct and policies, manage material sustainability matters, and embed integrity and transparency into our corporate culture.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Product

We shall promote products that improve the community well-being, provide high quality and safe products and services, apply and maintain standards and certifications, improve customers/distributors satisfaction, and establish sustainable and transparent lines of communication between Hai-O and our customers.

3 GOOD HEALTH AND WELL-BEING

Planet

We shall educate the practice of 3R (Reduce, Reuse and Recycle), reduce the use of Styrofoam in product packaging, promote green initiatives and introduce products which contain eco-friendly ingredients that are less harmful to the environment as well as human health.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SUSTAINABLE DEVELOPMENT GOALS

The SDGs, adopted by all UN Member States in 2015, form the basis to collectively create a better future by addressing fundamental global challenges. Hai-O supports the UN agenda and believes that companies can play a significant role in helping to achieve these development goals.

We support the vision of the SDGs as a critical element in delivering sustainable development. We focus primarily on six goals that represent areas where we can best contribute.

LEADERSHIP FOR SUSTAINABILITY

A robust governance structure is key to operationalising our sustainability strategy across the business, manage goal-setting and reporting processes, strengthen relations with external stakeholders, and ensure overall accountability.

Our Board provides strategic direction for the Group, taking into consideration the economic, environmental and social ("EES") opportunities and risks that need to be addressed. Assisted by the Sustainability Steering Committee ("SSC"), the Board oversees the overall performance of the Group's business sustainability, including reviewing the identification of the Group's material sustainability matters, the engagement and management of stakeholders, and the effectiveness of the Group's sustainability risk management process. The SSC is chaired by the Group Executive Director, members comprise of Group Executive Director cum Group Chief Financial officer, two Independent Directors and senior management members. The SSC is supported by the Sustainability Working Committee ("SWC") which comprises key personnel from business support and operations units and general management.

The Group's governance structure for sustainability management is established to ensure the efficient management of sustainability issues and to provide prompt updates to our Board of Directors. The structure is illustrated in the following overview diagram.

Board of Directors

- Endorses the Group's sustainability strategy and commitment statement
- Issues final approval of the sustainability report and its contents

Sustainability Steering Committee ("SSC")

- Proposes the sustainability strategy to the Board
- Reviews the material sustainability matters identified and prioritised by the SWC
- Engages the departments involved in the SWC and oversees the progress of the sustainability initiatives and projects that are in place across the different departments

Sustainability Working Committee ("SWC")

- Undertakes sustainability initiatives aligned with the Group's strategy for sustainability
- Records and manages data that reflects the Group's year-on-year performance against economic, environmental and social parameters
- Identifies and prioritises the material sustainability matters that are relevant to the Group and the stakeholders

Economic	Environmental	Social
Business Operations	Health, Safety and Security	Human Capital
Business Support	Waste Management	Community

STAKEHOLDER ENGAGEMENT

Core to the Group's success is our ability to develop strong and meaningful relationships with our stakeholders.

To fulfil our corporate mission and vision, and to provide sustainable returns to our shareholders as well as generate value to our stakeholders, we must establish positive relationships through engagements with our broad range of stakeholders. We analyse our stakeholders and determine appropriate and effective approaches to engage them based on the nature of their relationships with our businesses and how these relationships generate values or impact for Hai-O and our stakeholders, and vice versa.

Focus Areas	Key Engagement Approaches And/Or Channels	Frequency Of Engagement	Key Highlight Of Engagement Activities Conducted During FY2020
EMPLOYEES			
The individuals that enable us to serve our customers.			
• Career development and advancement • Work-life balance • Employee health and safety • Employee benefits	Performance appraisal	Annually	• Performance appraisal • Anniversary dinners and festival gathering events • Code of Ethics & Business Conduct and Whistle-Blowing Policy updates. • Loyalty and Outstanding Performance Awards • Incentive trips (local and overseas) • Kelab Muhibbah Hai-O activities • Standard Operating Procedures and communications in relation to COVID-19 response
	Employees Handbook, Code of Ethics & Business Conduct	Available at all times	
	Internship and training and development programmes	Regularly	
	Team building activities	Periodically	
	Festive events or celebrations	At least annually	
	Health screening and check-up	Regularly	
	Hai-O Human Resource Online	Available at all times	
	Employee Engagement survey	Once in three years	
	Kelab Muhibbah Hai-O	Regularly	
	Staff purchase/ product giveaway	Regularly	
CUSTOMERS			
The people that use our products and services.			
• Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion	Customer satisfaction survey	Annually	• Customer satisfaction survey • Hai-O Chain Store Friendship Member Progamme • Standard Operating Procedures and communication in relation to COVID-19 response (available on website) • Social media: Facebook, WeChat, and Instagram
	Conventional media advertisements	Regularly	
	Social media platforms	Available at all times	
	Corporate website	Available at all times	
	Customer Relations Management	Ongoing	
	Hai-O Chain Store Friendship Member Programme	Ongoing	
	Product labelling and information	Ongoing	
	Product standards and certifications	Ongoing	
	Feedback and enquiry forms – online and in-store	Available at all times	
	Customer care hotline, toll-free line, and email	Available at all times during business hours	

STAKEHOLDER ENGAGEMENT

(CONTINUED)

Focus Areas	Key Engagement Approaches And/Or Channels	Frequency Of Engagement	Key Highlight Of Engagement Activities Conducted During FY2020
DISTRIBUTORS			
The individuals that bring our products to product users.			
• Enhancement of distribution platform • Market demand for Hai-O products • Product quality and pricing • Product development and innovation • MLM entrepreneurship	Marketing strategy and plans	At least annually	• 2019 distributor survey • SHOM's 27th Anniversary – "Revolution" • Crown Diamond Manager Conference 2020 • Diamond Night • SM/ SSM Recognition Night • Overseas incentive trips • Standard Operating Procedures and communication in relation to COVID-19 response
	E-bulletin	Quarterly	
	E-sales kit and e-registration	Monthly	
	Distributor survey	Annually	
	Events and conferences	Regularly	
	Training and workshops	Regularly	
VENDORS AND SUPPLIERS			
The business partners that enable us to source, make and distribute our products.			
• Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion	Meetings and trade fairs	Regularly	• Newly developed Code of Business Ethics for Suppliers and Business Associates • Product Branding Engagement Night (Pagoda brand)
	Factory visits	Regularly	
	Audits	Regularly	
	Vendor evaluation	Annually	
CERTIFICATION AND REGULATORY BODIES			
The regulators who monitor our business practices.			
• Regulatory compliance • Approval and permits • Standards and certification	Meetings and consultations	Regularly	• ISO, HACCP, SAMM, GMP, HALAL and US FDA certifications
	Training programmes and dialogues	Regularly	
	Factory visits and monitoring	Regularly	
	Legal and regulatory updates	Regularly/ as applicable	
	Audits	Regularly	

STAKEHOLDER ENGAGEMENT

(CONTINUED)

Focus Areas	Key Engagement Approaches And/Or Channels	Frequency Of Engagement	Key Highlight Of Engagement Activities Conducted During FY2020
LOCAL COMMUNITIES			
The individuals in the nearby community who are impacted by our operations.			
• Quality of health and education • Indirect economic impact • Environmental impact of operations • Community well-being	Community engagement and outreach	Regularly	• Ai Hua Jiao Fund Raising programme • Daripadamu Untukmu – Manis Ceria Bersama, Kasih Jelas Terasa • Hai-O Higher Educational Aid and Excellent Academic Awards • Collaborative Research Initiative • CNY Make A Wish Charity Campaign • Food aid during Movement Control Order ("MCO"), Health talks • Caring for our Staff – Health Packages • Blood donation campaign • Hai-O Arts and Culture Grants • Hai-O Literature Award
	Donation and sponsorships	Regularly	
	Social and cultural activities	Regularly	
	Hai-O Foundation	Regularly	
	Kelab Muhibbah Hai-O	Regularly	
SHAREHOLDERS AND INVESTORS			
The investors and lenders who invest in our business.			
• Financial performance • Regulatory compliance • Corporate governance • Ethical business conduct • Investment and divestment • Internal control and risk management • Board composition	General meetings	At least annually	• 2019 AGM • 2019 Annual Report and quarterly announcement • Other Bursa announcements
	Analyst briefings and reports	Regularly	
	Annual report, which includes financial report, corporate governance report, etc.	Annually	
	Financial announcements and reporting	At least quarterly	
	Corporate website	Available at all times	
MEDIA			
The media and other opinion formers.			
• Reputation and image • Financial performance • Business updates and corporate news • Public relations	Press releases	Regularly	• Joint collaboration CSR and cultural events
	Social media platform	Regularly	
	Conference and interviews	Regularly	
	Events and functions	Regularly	

MATERIAL SUSTAINABILITY MATTERS

Since 2018, we have adopted an approach that enables the systematic identification, assessment and prioritisation, management, and reporting of significant EES risks and opportunities, i.e. materiality assessment of the Group's sustainability matters. The key underlying principle in this process is "materiality" which helps to determine the EES aspects that are sufficiently important to be addressed and reported. Applying materiality enables us to prioritise our resources and efforts on dealing with the Group's material sustainability matters, which are assessed to reflect the Group's significant EES impacts and/or substantively influence the assessments and decisions of our key stakeholders.

For the financial year under review, we have performed a review of our materiality assessment, which considered the sustainability risks and opportunities in the context of our in-scope business operations and stakeholders involved in these operations as well as stakeholders of the Group. The materiality assessment review is conducted and participated by the SWC and personnel who engage closely with and has comprehensive understanding of the Group's key stakeholders.

The materiality assessment review approach is summarised as follows:

Our approach to review Group's material sustainability matters involves three steps:

- Firstly, we review the sustainability matters which are relevant to Hai-O by taking into consideration our business operations and our stakeholders' concerns and interests, considering also if there are any emerging sustainability risks or opportunities.

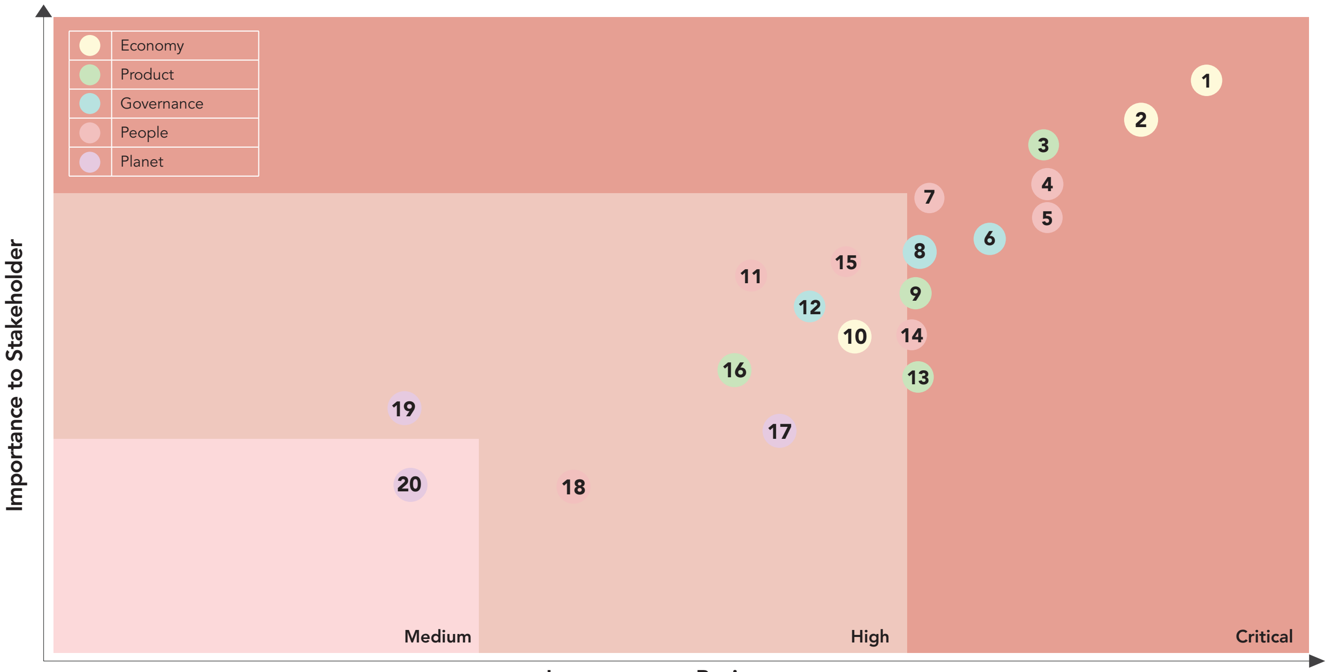
- Secondly, we rate the importance of each sustainability matter from two dimensions: (i) from the perspectives of the business, i.e. "importance to business"; and (ii) from the perspectives of the stakeholders, i.e. "importance to stakeholders".

  A weighted rating approach is employed to consolidate the ratings for each sustainability matter. Based on the consolidated rating, each sustainability matter is plotted on a materiality matrix which illustrates the significance of each sustainability matter in the context of the Group and also relative to other sustainability matters. Material sustainability matters are the top 20 matters with higher "importance to business" and/or "importance to stakeholders".

- Lastly, the material sustainability matters identified are reported to the SSC and the Board for the Board's review and update.

MATERIAL SUSTAINABILITY MATTERS
(CONTINUED)

The following updated materiality matrix illustrates the outcome of the latest materiality assessment review, presenting the Group's material sustainability matters for the financial year under review. The 20 material sustainability matters of the Group remain unchanged from our assessment in the previous financial year.



The 20 material sustainability matters categorised into Economy, Product, Governance, People and Planet that are material to Hai-O and our stakeholders are described below.

1 Economic Performance

Good economic growth will enable Hai-O to have adequate capital to maintain its social licence to operate, comply with new regulations and standards as well as for Hai-O to prepare for potential risks and fluctuations in the future.

GRI disclosures covered:
Economic Performance, Market Presence, Indirect Economic Impacts

Relevant to stakeholder groups:
Shareholders and Investors

Relevant SDGs:

2 Brand And Reputation

Hai-O takes pride in its good branding and marketing strategies. We strengthen our corporate brand image by focusing on creative ideas that will build brand awareness while meeting customers' needs.

GRI disclosures covered:
Non GRI Disclosure

Relevant to stakeholder groups:
Shareholders and Investors, Media

Relevant SDGs:

3 Product Safety And Quality

Our commitment to "promoting healthcare culture and improving human's well-being" entails the provision of safe and quality products.

GRI disclosures covered:
Customer Health and Safety, Marketing and Labelling

Relevant to stakeholder groups:
Customers, Certification and Regulatory Bodies, Distributors

Relevant SDGs:

MATERIAL SUSTAINABILITY MATTERS
(CONTINUED)

4 MLM Entrepreneurship

We continuously invest in our Multi-Level Marketing business, which is one of our main economic contributors, to create job opportunities and a platform for entrepreneurship excellence.

GRI disclosures covered:
Non GRI Disclosure

Relevant to stakeholder groups:
Distributors

Relevant SDGs:

5 Customer Satisfaction

This topic is material because by listening to the individuals who use our products, we can better understand how they interact with our products and identify ways to improve both the products and services that we offer.

GRI disclosures covered:
Non GRI Disclosure

Relevant to stakeholder groups:
Customers, Certification and Regulatory Bodies

Relevant SDGs:

6 Corporate Governance And Risk Management

Hai-O focuses on the establishment of a sound governance structure to maintain a fair and orderly market, a high level of investor confidence, and to manage risks.

GRI disclosures covered:
Non GRI Disclosure

Relevant to stakeholder groups:
Certification and Regulatory Bodies, Employees

Relevant SDGs:

7 Equal Employment Opportunities And Leadership Development

Human capital is key to our growth. We are dedicated to maintaining a high standard of employment practices by attracting and retaining the right talents through their outstanding merits. This best practice enhances our company performance and the equity of the company as a responsible employer.

GRI disclosures covered:
Employment, Diversity and Equal Opportunity

Relevant to stakeholder groups:
Employees

Relevant SDGs:

8 Ethics And Integrity

Ethics, bribery and corruption risk has been identified as one of the principal risks that could threaten our strategy, performance and reputation. Building trust can only be achieved through an ethical approach and we place significant emphasis on adopting the right behaviours.

GRI disclosures covered:
Anti-Corruption

Relevant to stakeholder groups:
Certification and Regulatory Bodies, Shareholders and Investors, Employees, Suppliers, Distributors

Relevant SDGs:

9 Product Certification

Our healthcare products which improve the well-being of consumers are safe and of high quality and comply with statutory requirements and relevant standards. Our products are certified and regularly audited by external experts, regulatory authorities and external consultants.

GRI disclosures covered:
Non GRI Disclosure

Relevant to stakeholder groups:
Certification and Regulatory Bodies, Customers

Relevant SDGs:

MATERIAL SUSTAINABILITY MATTERS
(CONTINUED)

10 Supply Chain Management

We aim to build long-term, mutually beneficial relationships with all third parties along our value chain. A good supply chain management supports the operational efficiency, costs optimisation, risk management and also strengthens our commercial positioning.

GRI disclosures covered:
Procurement Practices

Relevant to stakeholder groups:
Vendors and Suppliers

Relevant SDGs:

11 Employee Well-being

We nurture employees by providing fair remuneration and comprehensive benefit packages to assure job security for employees who are vital to Hai-O.

GRI disclosures covered:
Employment

Relevant to stakeholder groups:
Employees

Relevant SDGs:

12 Succession Planning

It is paramount that we develop successors and identify next-in-lines to ensure a smooth transition in our operational structure. We oversee and follow up on the competency development of employees from their first day at work to help them in their career developments.

GRI disclosures covered:
Training and Education

Relevant to stakeholder groups:
Shareholders and Investors, Employees

Relevant SDGs:

13 Product Innovation

Fundamentally, we strive to contribute to better health outcomes by innovating safe products without exploiting people working in the supply chain or damaging the environment.

GRI disclosures covered:
Non GRI Disclosure

Relevant to stakeholder groups:
Customers, Distributors

Relevant SDGs:

14 Occupational Health And Safety

We operate in accordance with the principles of occupational health and workplace safety to ensure a suitable and sustainable workplace environment.

GRI disclosures covered:
Occupational Health and Safety

Relevant to stakeholder groups:
Employees, Certification and Regulatory Bodies

Relevant SDGs:

15 Training And Development

Hai-O has always made persistent efforts to equip employees with the right skills to keep them abreast of the latest knowledge and techniques. Our training programmes are aimed at enhancing the skills, capabilities and knowledge required for decision making and creative thinking.

GRI disclosures covered:
Training and Education

Relevant to stakeholder groups:
Employees

Relevant SDGs:

MATERIAL SUSTAINABILITY MATTERS (CONTINUED)

16 Manufacturing Certification

We consistently stay proactive to ensure that our manufacturing processes are undertaken safely and efficient.

GRI disclosures covered:
Non GRI Disclosure

Relevant to stakeholder groups:
Certification and Regulatory Bodies

Relevant SDGs:

17 Energy Consumption

Hai-O strives to use resources and energy in an efficient and environment friendly manner to help alleviate global climate change.

GRI disclosures covered:
Energy

Relevant to stakeholder groups:
Certification and Regulatory Bodies

Relevant SDGs:

18 Community Engagement

Hai-O focuses on supporting and promoting development of communities as a way to demonstrate social responsibility and create engagement with the community and wider society to achieve sustainable advancement.

GRI disclosures covered:
Indirect Economic Impacts, Public Policy

Relevant to stakeholder groups:
Local Communities

Relevant SDGs:

19 Green Product And Packaging

Hai-O works towards offering green products by avoiding harmful materials, sourcing raw materials with lower environmental impact and utilising sustainable packaging materials.

GRI disclosures covered:
Customer Health and Safety

Relevant to stakeholder groups:
Certification and Regulatory Bodies, Customers

Relevant SDGs:

20 Waste And Recycling

We aim to reduce waste across the Group while also stepping up efforts to reuse and recycle.

GRI disclosures covered:
Non GRI Disclosure

Relevant to stakeholder groups:
Certification and Regulatory Bodies

Relevant SDGs:

OUR ECONOMY

To contribute to the sustainable growth of the local economy and to create business opportunities for entrepreneurs.

This Sustainability Focus Area discusses about the following material sustainability matters:

- Economic Performance
- Supply Chain Management
- Brand And Reputation

Economic Performance

Over the years, Hai-O has expanded its portfolio from MLM, import trading, wholesaling and retailing of Chinese herbal products and medicated tonics to a wide range of products and services. These products and services include beauty and healthcare products, clinical and traditional complementary medicine ("TCM") consultation services, TCM contract manufacturing as well as health food and food supplements manufacturing. From a humble beginning with a small start-up capital, Hai-O has risen through many business challenges as it expanded over the years.

We strive to create sustainable values for our stakeholders through the Group's businesses. Amongst others, sustainable financial performance is translated into economic values generated and distributed to the country, to the economy, to shareholders, to our employees, to our distributors, to our business partners and society. For further details, please refer to the Group's audited financial statements and their relevant notes on pages 96 to 186 of this Annual Report.

Local Economy and Work Opportunities

Through our various business segments, the Group contributes to the local economy across Malaysia and creates work opportunities in various forms, including through direct employment, MLM entrepreneurship, and through our business value chain and business partners. As at 30 April 2020, the Group had a direct workforce of 502 employees (FY2019: 526 employees) and an MLM network of 114,000 distributors (FY2019: 121,000 distributors). Apart from the MLM segment which is supported by independent distributors, the majority of the Group's business activities are run and performed by our employed workforce.

Hai-O believes in supporting youth employment and employability and conducts regular internship programmes. During the financial year under review, the Group provided internships to 18 students across our various business operations including product development and promotion, accounts, business administration, quality assurance/ quality control and laboratory, merchandising, advertising, promotion, marketing, and Chinese physician clinical training.

We believe the talent of our people constitutes a competitive advantage which underpins the future of the Group. In support of the local economy, our senior Management team consisting of the Group Managing Director, the Group Executive Director, and General Managers of the parent and principal subsidiaries are 100% Malaysians. We value the experienced local talents who have a lot to offer in terms of their local market knowledge, strategic planning and managerial skills, amongst others, which have enabled us to cater for the needs of various market segments. More than 95% of the Group's employed workforce are Malaysians as we try to do our best to support local employment to contribute to a broader, sustainable local economy.

From 1 February 2020, Malaysia's minimum wage has been revised by the ***Minimum Wages Order 2020*** as follows:

- RM 1,200 per month for employee whose place of employment is in any of the Municipal Council or City Council areas stated in the ***Minimum Wages Order 2020***;
- RM 1,100 per month for employee whose place of employment is in other than the Municipal Council or City Council areas stated in the ***Minimum Wages Order 2020.***

Hai-O's average wage ratios for entry level non-executives in East Malaysia as compared to the nation's minimum is 1.10:1, whereas in West Malaysia, the ratio is 1.13: 1. Entry level executives are competitively remunerated based on their qualifications as we strive to attract young talents into the Group. We also provide attractive remuneration packages to our employees without gender bias, as evident in the entry level minimum wage ratio of 1:1 by gender.

The Group is aware of its corporate responsibility in promoting fair remuneration across its business value chain. We believe that, at the minimum, our suppliers and other business parties involved in the business value chain should comply with the applicable minimum wage requirements. In this respect, we have formalised Hai-O's Code of Business Ethics for Suppliers and Business Associates in May 2020, specifically requiring our suppliers and business associates to comply with the applicable minimum wage requirements, amongst other basic labour standards.

Supply Chain Management

In order to foster strong, trustworthy, and mutually beneficial business relationships with our supply chain partners, Hai-O's Code of Business Ethics for Suppliers and Business Associates sets a standard expectation of responsible and ethical business practices as well as compliance with laws and regulation, covering amongst others, anti-bribery, health, safety and environment, and labour laws including basic human rights. We are working to translate the Code of Business Ethics for Suppliers and Business Associates into multiple languages to ensure effective communication to business parties within our supply chain.

Apart from creating job opportunities and entrepreneurship throughout our value chain, Hai-O also supports local businesses across our supply chain, which includes manufacturers and suppliers for raw materials, finished goods and packaging materials. 71% of our trade-related procurement, including products and materials, is sourced from Malaysian businesses. On top of generating values and sustaining the local economy, local procurement also contributes to lower environmental impact in view of reduced overseas transportation requirements and transportation-related emissions.

Hai-O practices sustainable procurement via the Group's purchasing control procedures. All our supply chain partners, including suppliers or subcontractors, are required to conform to Hai-O's internal procedures and be consistent in delivering quality, competitive costing, responsiveness and supply reliability. In addition, proper procedures and controls must be followed across all relevant operations.

A robust and well-managed supply chain is crucial for maintaining product safety and quality, certification, and standards to deliver safe, quality, and reliable products to the market. We have an effective procurement system for the inclusion of new products in our product portfolio, and suppliers are required to be screened and evaluated before we engage with them. In addition, we conduct periodical reviews and evaluations to make sure that suppliers conform to the agreed and expected performance, standards, and practices. Further details on supply chain management is discussed in the section: Our Product on pages 58 to 61 of this Annual Report.

Brand And Reputation

We are pleased to be awarded **The Centurion of The Year Award** at The Edge Malaysia Centurion Club Corporate Awards 2019. The event was organised to honour the best-performing companies in Malaysia with a market capitalisation of RM100 million to below RM 1 billion and aims to encourage Malaysian companies to be more efficient, competitive, and successful while being socially responsible.

Hai-O also clinched two more awards at the same event for achieving the **Highest Growth in Profit After Tax over Three Years** and **Highest Returns to Shareholders over Three Years** under the Consumer Products & Services sector.

Hai-O is committed to delivering the best product quality to our customers and upholding our reputation as a trusted business owner. Preserving and uplifting our brand name and reputation is a key driver to achieve our mission and vision in the long term.

OUR ECONOMY

(CONTINUED)

HAI-O

Corporate branding:

"Hai-O", a well-established household name offering a wide range of Traditional Complementary Medicines ("TCM"), Wellness and healthcare products in Malaysia

Objective:

To constantly uphold corporate branding through various channels and activities

Strategy:

To preserve and uphold our "SEAGULL" Corporate Values

We continue to invest in building and strengthening our product portfolios. Apart from products that cater for the likes and tastes of our customers and consumers, we are constantly exploring new products to promote healthy and sustainable living.

Our MLM marketing arm, SHOM, focuses on branding strategies targeted at "SHOM" corporate branding and several high potential products. SHOM's approach in the marketing and branding of MLM products is well researched, planned and executed with specific objectives.

In July 2019, SHOM hosted a branding event with the manufacturer of BB+ Glo Collagen Drink, a premium product which showcased our focus on quality ingredients. BB+ Glo Collagen Drink combines collagen from a top brand in France, blackcurrant powder from Denmark, red grape extract from France, and potent bio-actives which help to strengthen and maintain skin elasticity, hydration and brightness.

Every sachet of BB+ Glo contains 5,000mg of marine collagen peptide, a Type 1 collagen peptide identical to the collagen found in human skin and bones. Marine collagen peptides are broken down by enzymatic hydrolysis into small molecules with the molecular size of 2,000 Dalton only, thus making it highly bio-available.

The blackcurrant powder in BB+ Glo not only enhances the taste but is also rich in polyphenols, bioflavonoids and Vitamin C. The powder is manufactured in Denmark with a unique patent-pending technology which enables active compounds to be protected and preserved. More remarkably, bioflavonoids can only be found from natural sources and cannot be made synthetically.

Meanwhile, the red grape extract is a strong antioxidant that helps skin fight against free radicals, helps collagen to repair by itself and helps reduce inflammation, thus delaying aging.

Hai-O's Retail division continues to promote its brand name and product awareness by increasing visibility and presence, including venturing into the younger generation market, via a mixture of both conventional and digital marketing channels including newspapers, radio, and social media platforms.

Bearing in mind that the people and products of Hai-O Group are direct representations of the Hai-O group of brands, People and Product are also identified as two of the five key focus areas of the Group's sustainable strategy. They are further discussed in their respective sections: Our People and Our Product.

OUR GOVERNANCE

To foster corporate transparency and lay the foundation for strong and sound leadership.

This Sustainability Focus Area discusses the following material sustainability matters:

- Corporate Governance And Risk Management
- Ethics And Integrity
- Succession Planning

Corporate Governance And Risk Management

A robust governance structure and good corporate governance practices are paramount to building a sustainable business that is responsible and truly cares about the economy, the environment and the society. Hai-O Group's corporate governance structure and practices, which comply with applicable laws and regulations and adopt internationally recognised practices, are reported in the Corporate Governance Overview Statement on pages 70 to 86 of this Annual Report and Hai-O's Corporate Governance Report 2020.

Hai-O recognises its responsibility to comply with regulations and has the appropriate risk management systems in place to safeguard the interests of our shareholders. The Group has also implemented a risk management plan to anticipate and adapt to changing and evolving trends that may disrupt its businesses. For more information, please refer to the Statement on Risk Management and Internal Control on pages 87 to 92 of this Annual Report.

In our efforts to uphold transparency and gain the trust of all stakeholders, including potential investors, we provide updated business information through various methods of periodic reporting. On our corporate website, we consolidate such information for easy reference, including Annual Reports, AGM/EGM minutes, Bursa announcements, press releases, Corporate Presentations, Results Updates and Analyst Reports.

Ethics And Integrity

At Hai-O, we have set in place the Code of Ethics and Business Conduct, Whistle-Blowing Policy and guidelines to avoid conflicts of interest and to maintain a high standard of ethics and integrity. All Hai-O employees, senior management and the Board of Directors are required to strictly adhere to these policies. These policies and guidelines are also stated clearly in the Employee Handbook which is communicated to every new employee on Orientation Day and is periodically updated and accessible through our HR Online internal portal. All new hires must sign an acknowledgement form to confirm that they understand and will abide by these policies and guidelines.

We also require our MLM distributors to work ethically in line with our good business image and reputation. We distribute Hai-O's Business Handbook to our distributors in multiple languages to cater to the needs of our multi-racial distributors. Key aspects addressed in the Business Handbook include distributors' roles in product exchange, advertising and promotion, data protection and pricing. As we invest to develop and nurture our distributors to become our professional and ethical business partners, we also provide briefings focusing on ethical business practices.

During the financial year, we conducted an assessment for our Crown Diamond Manager ("CDM") distributors focusing on distributor's Code of Ethics. We believe the assessment enables a better understanding of the conduct of ethical business and fosters professional and trustworthy business relationships.

We have recently in May 2020 reviewed and revised our Code of Ethics and Business Conduct for directors and employees and our members' portal for distributors to reflect the Group's newly enhanced anti-bribery policies and procedures, in response to the amendment to the *Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009")* which took effect on 1 June 2020.

At the same time, we have also established a Code of Business Ethics for Suppliers and Business Associates to communicate our expectations of acceptable business ethics required to be demonstrated by our suppliers and other business associates, including service providers, agents, and consultants.

- **Anti-Corruption**

  Following the amendment to the *MACC Act 2009*, specifically relating to Section 17A which may cause commercial organisations to be liable for the bribery conduct of associated persons, we have, with the assistance of an appointed consultant, undertaken an initiative to review, assess, and enhance our policies and procedures relating to the management of bribery risks across our businesses. The initiative was guided by the Guidelines on Adequate Procedures Pursuant to Subsection (5) of Section 17A under the *MACC Act 2009*, and also included bribery risk assessment workshops participated by representatives from the Group's various business operations and functions.

We have in May 2020 developed a group-wide Anti-Bribery Policy, which is applicable to the Group's directors, employees, suppliers, and business associates and includes specific policies governing transactions such as gifts, entertainment, hospitality, donations and sponsorships. The Anti-Bribery Policy is published on our corporate website. The Group has no political affiliations and generally does not make political contributions or donations unless approved by the Board. During the financial year under review, the Group did not make any political donation or contribution.

We have enhanced our **Code of Ethics and Business Conduct** for MLM distributors and has established a **Code of Business Ethics for Suppliers and Business Associates**, to reflect the Anti-Bribery Policy. A comprehensive **Anti-Bribery Framework** has been established to formalise the systematic identification, assessment, and management of bribery risks of the Group. The Anti-Bribery Framework and the Anti-Bribery Policy has been approved by the Board.

To ensure that our stakeholders are aware of and understand our anti-bribery stance, we have issued letters and notices to our key stakeholders, including employees, distributors, suppliers, and relevant business associates. The same will also be communicated to newly formed business relationships, such as new employees, suppliers, and distributors. Depending on the nature of their business relationships with the Hai-O Group, some stakeholders are required to provide written acknowledgment on their commitment to observe Hai-O's anti-bribery stance. Regular communications, including training where relevant, will be conducted to uphold integrity throughout our businesses.

We have made it a priority to address the issues of anti-corruption and anti-bribery and have taken measures to provide proper channels for employees and non-employees to report any malpractices including bribery and corrupt business conduct. The Hai-O Whistle-Blowing Policy formalises a secure and confidential channel for concerns to be raised or malpractices to be reported.

- **Whistle-Blowing Mechanism**

  Good governance entails the provision of proper channels for anyone to raise concerns pertaining to the professionalism, ethics, and integrity of the Group's business, amongst others. For this purpose, the Group has established a Whistle-Blowing Policy which is available on our corporate website. The Whistle-Blowing Policy provides the whistle-blower a channel to report in a confidential manner, hence protected against retaliation by the Group or its personnel.

  During the financial year under review, there was no case recorded.

Succession Planning

As a responsible business operator, preparedness in every form is needed to ensure that all operations run smoothly. This includes ensuring continuous and consistent leadership in the management of the Group and its businesses. In this regard, it is in our interest to formulate a succession plan to ensure that the Group develops and identifies a pool of qualified personnel for high-level positions that become available due to retirement, resignation, death, disability of incumbent personnel or due to new business opportunities. These qualified individuals are developed through training, mentoring and job rotations. Sustainable talent and leadership management is an ongoing focus of the Group's human resource management and a key topic in business strategy setting and reviews. We conduct annual performance and career development reviews for all our employees, the results of which are also considered in the process of succession planning.

Guided and assisted by an appointed consultant, Hai-O's Human Resources department has formulated a succession plan for its Retail segment, which sets out a formal process to identify and cultivate potential talents to equip them with the required skills and capabilities to operate and grow the segment.

OUR PEOPLE

To create a corporate culture that champions safety, good conduct, skill development and community engagement.

This Sustainability Focus Area discusses the following material sustainability matters:

- MLM Entrepreneurship
- Employee Well-being
- Training And Development
- Customer Satisfaction
- Occupational Health And Safety
- Community Engagement
- Equal Employment Opportunities And Leadership Development

Distributors get together celebrating the glory of success in conjunction with SHOM's 27th Anniversary celebration.

MLM Entrepreneurship

Hai-O's MLM distributors act as our key ambassadors with their roaring entrepreneurial spirit. We do our utmost to nurture, support and invest in our distributors to help them understand the Group, our products and how to run a business efficiently, ethically and successfully. As at 30 April 2020, our MLM distributors totalled 114,000, of which 77% were women.

Ongoing engagement between the Group and distributors is key to mutual growth for the business, personally, and professionally. The Group maintains close relationship with its distributors as we work together to build and expand the business.

Our MLM leaders are equipped with key skills, such as leadership skills, entrepreneurship skills, people skills and business management skills. We invest in our MLM distributors to continuously upgrade them in various aspects to enhance their professionalism and business skills.

In FY2020, we conducted 88 training programmes, including product talk, digital marketing and motivation talk for our distributors.

In addition to regular training and education, we also have in place structured marketing plan and incentive programmes to incentivise and reward high-performing distributors via monthly sales bonus, overseas trips, premium invitation as guest speaker, rank progression and other privileges. We also give recognition in the form of awards such as CDM Excellence Award, CDM Master Excellence Award, Top 3 Excellence Award and Diamond Star Award, which are commonly presented during MLM conferences or events.

During the financial year under review, major events of SHOM included (1) SHOM's 27th anniversary at Setia City Convention Centre, Shah Alam with the theme "Revolution", (2) SHOM CDM Conference 2020 at Bangi, (3) SHOM Diamond Night 2019 at Setia Spice Convention Centre, Penang as well as (4) SM/ SSM Recognition held in Sabah and Penang.

Conferences and events are regularly held to bring our members together to share knowledge and experience, besides other significant occasions such as product launch, festival celebration, and performance recognition. These events and conferences may also be also used as a platform to provide training and briefing on the Group's policies and procedures and to obtain constructive feedback and ideas on how we can better work together through feedback forms.

OUR PEOPLE
(CONTINUED)

The focus of FY2020 Distributor Survey was on enhancing the capabilities of our e-commerce platform. The survey questionnaire was customised to obtain distributors' comments and input on how to improve our information and e-commerce systems. 180 distributors participated in the survey, providing valuable input and ideas towards the ongoing system enhancement.

The FY2020 Distributor Survey also sought distributors' feedback on the following focus areas, for which we have achieved an overall average satisfaction level exceeding 90%.

System Navigation	Website/ System Design
Product Information	Product Availability
Ordering Process	Payment Process
Delivery Process	Condition Of Goods Received
Customer Service	Product Return
Access To E-Commerce Via Mobile Phone	Overall Purchase Experience

Overall Average Satisfaction Level: > 90%

Customer Satisfaction

Gaining customers' confidence and trust in our distributors and products is key to Hai-O's continued success and growth. We conduct open and frequent communications with our customers and take their opinions very seriously.

We regularly engage with our customers through various channels across our business divisions. These engagement channels allow us to understand the needs of our customers, to address any concerns or clarifications required, as well as obtaining feedback and comments in order to provide products and services that enhances customers' satisfaction.

MLM Segment

We engage with our customers mainly via our network of MLM distributors, who themselves are also our customers. Our distributors are best positioned to understand our customers and are important to the success of our MLM business, hence our emphasis on close engagement with distributors.

To enhance customer satisfaction for our products and services, our annual Distributor Survey facilitates the process of understanding the needs and expectations of our customers, which provide input into our research and development for products and service to meet their needs.

As we are currently undertaking an initiative to strengthen our network, business capabilities and outreach by leveraging on technology, our Distributor Survey for the financial year ended 30 April 2020 was customised to focus on the digital platform.

We also engage our customers via the following channels:
- Corporate email at info@hai-omarketing.com.my and coe@hai-o.com.my
- Toll-free contact number: 1-800-88-2700
- Corporate website at www.hai-omarketing.com.my
- Internal bulletin
- Social media including WhatsApp, Facebook and Instagram
- Customer Service WhatsApp line: 017-302 8588
- E-commerce WhatsApp line: 012-2726181
- Text via SMS and Telegram (one-way communication)
- Others including surveys, trainings, road tours, meetings, incentive trips, conferences and events

OUR PEOPLE

(CONTINUED)

The MLM Branches Hotline / WhatsApp line were newly launched during the financial year to widen our access and reach to distributors and customers via a popular communication platform. With the various engagement channels, our customers can make enquires and provide feedback, as well as make formal complaints relating to our products and services with relative ease.

During the financial year ended 30 April 2020, we received a total of 41 cases of minor product complaints, all of which have been addressed and resolved.

Please refer to a separate subsection on MLM Entrepreneurship on pages 49 to 50 of this Annual Report for further details on how we engage and work with our distributors.

Retail Segment

In Hai-O's Retail segment, all customers, both Hai-O Friendship members and non-members, can reach out to us and make purchases via our physical retail stores and our online store at https://mall.hai-o.com.my. It has been on ongoing effort to ensure our retail stores and online store are easily accessible and provide a safe and comfortable environment for our customers. Furthermore, we provide adequate training to our retail store personnel so that they provide quality service and serve our customers professionally.

We run a Hai-O Friendship Member Programme which offers birthday rewards, member discounts, early and exclusive promotions, access to special seminars, and other events. The programme is accessible at https://mall.hai-o.com.my.

We also engage our Retail customers via the following channels:

- Hai-O General Email: info@hai-o.com.my
- Hai-O Chain Store Facebook
- Hai-O Chain Store WeChat
- Hai-O Chain Store Customer Service Hotline: 03-3343 8889
- Text via SMS and telemarketing
- Customer complaint procedures
- Feedback Form (available in retail stores)
- Customer Satisfaction Survey (accessible via QR Code)
- customer_care@hai-o.com.my (for online store)

During the financial year under review, we launched a new customer care email, i.e. customer_care@hai-o.com.my, to enhance communication with our customers. We also facilitated the access of our Customer Satisfaction Survey via QR Code to encourage customers to provide feedback on our products and services.

Retail Customer Satisfaction Survey Results FY2020:

Due to better accessibility, we have improved outreach to customers with more than 5,800 customers participating in our Customer Satisfaction Survey after QR Code was enabled in July 2019.

More than 97% of our customers rated our overall service as "good" and "very good". The Survey helps us to analyse customers' feedback by store location so that we can maintain where we have done well and improve where we fall short.

Through the various channels, customers are welcomed to give comments, feedback, and even to raise concerns or make product or service complaints. Internally, we have established structured processes to ensure customers' inputs are addressed and taken into considerations for the ongoing improvement of our business.

During the financial year under review, a total of two customer service complaints and 21 product complaints were filed and resolved.

Wholesale Segment

In the Wholesale segment, our customers are mainly businesses with whom we maintain close relationships through our in-house business representatives. In some instances, our Wholesale customers are also our business partners as we collaborate to promote our products via their distribution platforms, for example, in supermarkets and hypermarkets. To foster mutually beneficial working relationships, our in-house business representatives are adequately trained in various aspects to serve our Wholesale customers as well as to promote our products to the wider market. Through our well-trained business representatives, our customers are able to communicate effectively with us and to provide comments or raise concerns.

We also conduct customer surveys with our Wholesale customers to engage and understand how business relationships and collaborations can be further enhanced to achieve and create shared values. The customer survey does not only focus on past performance but also considers present and emerging business trends in order to keep our business and business relationships relevant and sustainable.

During the financial year under review, the Wholesale segment received two minor customer complaints, all of which have been addressed and resolved.

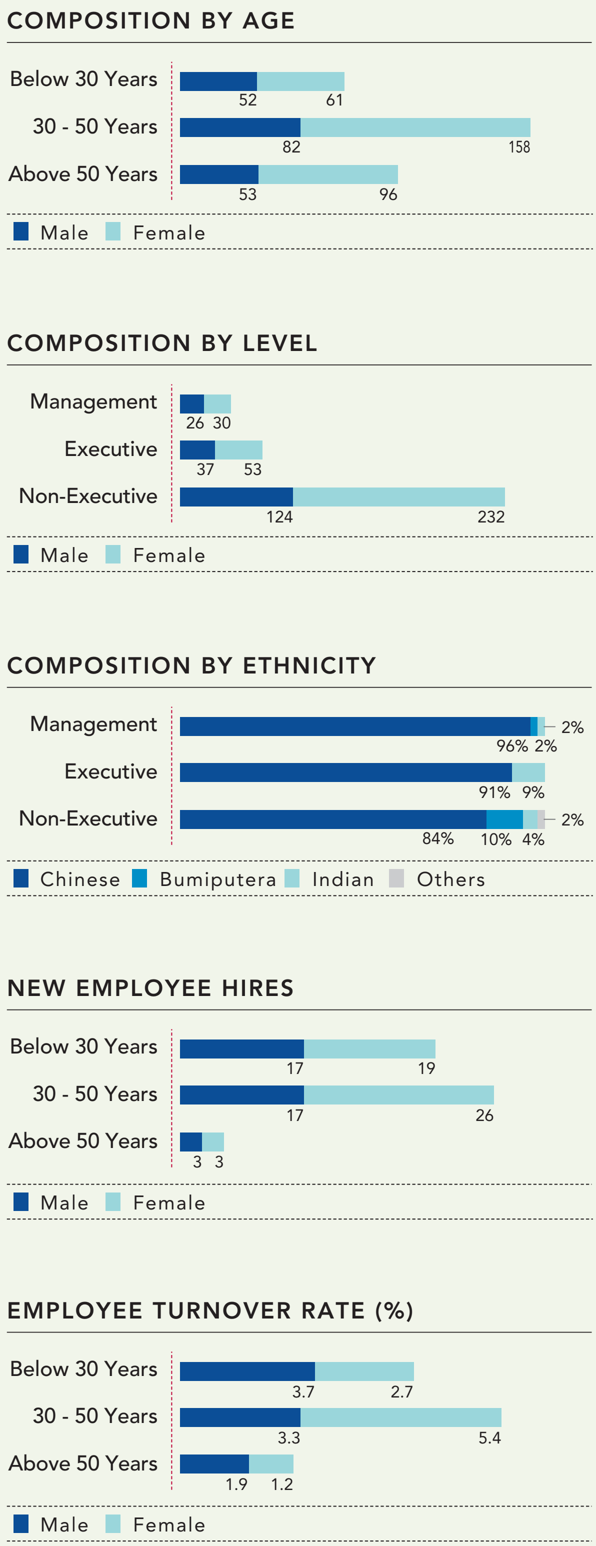
Equal Employment Opportunities And Leadership Development

Hai-O is committed to fostering a culture of diversity in our workforce. Our Human Resources culture centres on three core values: Sense of Belonging, Teamwork and Equal Opportunity. We provide equal opportunities to individuals based on their merits, competency, experience and relevant qualities. In Hai-O, we do not discriminate against age, gender, ethnicity or religion. We are in the midst of developing a policy to formalise such principles in our HR philosophy. We also provide opportunities to vulnerable groups, counting among our employees five individuals with disabilities, representing 1% of our workforce.

The demography of Hai-O's workforce in FY2020 is illustrated below, comprising 502 individuals of different races, gender, and age groups, out of which 8.4% are contract staff or temporary staff to whom our Human Resources culture and business ethics are similarly applied.

In FY2020, we hired a total of 84 new employees and recorded an annual average turnover rate of 1.5%. Our recruitment process is strictly guided by our equal opportunity stance with assessments conducted based on merits. We also conduct exit interviews and/or surveys with departing personnel to understand their reasons for leaving and the potential areas for improvement, if applicable. The exit interviews and surveys are analysed and deliberated by Management for further actions and monitoring, where required.

WORKFORCE DIVERSITY



Employee Well-being

Apart from ensuring employees are well-equipped to carry out their duties and responsibilities, their safety and health and well-being are also important elements to build a sustained workforce and positive social impact.

As part of our initiative to improve the well-being of our employees, we have crafted employment packages with a range of entitlement and benefits to take care of our employees and to help them to achieve work life balance, on top of compliance with applicable laws and regulations governing employees benefits such as employees' accident insurance (i.e. Social Security Organisation or "SOCSO"), retirement (i.e. Employee Provident Fund or "EPF"), and employment insurance (i.e. Employment Insurance System or "EIS"). Amongst others, we provide health care insurance and medical cards which have been enhanced since FY2019, insurance coverage for accident and hospitalisation, as well as parental leaves including paternity and maternity leaves which enable parents to take care of their new-borns. The Company also offers an Employee Share Option Scheme ("ESOS") to reward and recognise the contribution of employees towards the growth of the Group, to motivate employees to work towards achieving the Group's long-term targets and objectives, and to attract and retain high calibre individuals. During the financial year under review, we reviewed employees' benefits with revisions of overtime rate, outstation accommodation benefits and medical claims and other benefits.

During the financial year under review, we also focused on assessing and addressing the overall safety and health risks of our workforce, which covers broadly employees' safety and health, including physical and mental. Further details are discussed in the following subsection on Occupational Health and Safety.

SHC members attended basic occupational first aid, CPR & AED training.

Occupational Health And Safety

As our operations span various locations across Malaysia, it is important for us to adopt a systematic approach towards providing a safe working environment in all our business locations. In order to facilitate a consistent management of workplace and occupational health and safety, safety considerations and practices have been incorporated in the design of our standard operating procedures ("SOP") to guide employees in performing their day-to-day business operations and duties.

In 2019, Hai-O established a Group Safety and Health Committee ("SHC"), in compliance with the Occupational Safety and Health Act 1994 ("OSHA") under Safety and Health Committee Regulation 1996, comprising management level employees and selected employees from relevant business units. The SHC is further supported by a qualified Safety Officer who is responsible for monitoring compliance with safety and health laws and regulations. The SHC Chairman reports directly to the Group Executive Director to ensure that the Board, through the senior management, is kept abreast of Hai-O's overall health and safety performance and issues. The structure of the SHC is illustrated as follows:

The SHC met four times during the financial year under review and conducted a thorough occupational health and safety risk assessment across the Group's business operation, identifying various labour-related issues and health and safety risks including injuries due to workplace accidents, ergonomic injuries, mental health, and cyber safety. In response to the identified risk areas, we have reviewed and developed 16 SOPs to provide better guidance to employees on managing occupational health and safety risks. A Group Safety Policy was also established to support a healthy and accident-free workplace.

OUR PEOPLE
(CONTINUED)

Fire safety awareness Talk & Drill held annually.

Various briefings, trainings, and programmes, aimed at promoting better health and safety risk awareness, understanding, and prevention of accidents among employees were provided, including, but not limited to, the following:

- Vision Zero Conference 2019;
- Basic Occupational First Aid, Cardiopulmonary Resuscitation ("CPR") & Automated External Defibrillator ("AED") training, conducted by CERT Academy;
- Safety Made Simple: Meeting the safety needs of employees;
- Fire prevention talk and drill held at Wawasan Hai-O;
- Forklift training; and
- Briefing on awareness on OSHA to all staff - conducted in stages by appointed SHC officer.

We are glad to report that we have recorded zero accident across the Group's operations for the financial year under review. Hai-O will continue to put in relentless efforts to manage the Group's occupational health and safety risks to safeguard and protect employees and stakeholders.

COVID-19 Response

We have taken a proactive approach to the recent COVID-19 pandemic outbreak, putting in place precautionary measures in our office even before Movement Control Order ("MCO") was imposed by the Malaysian Government, including temperature checks, visitor declaration forms, and the provision of hand sanitisers and face masks. Bearing in mind that precautionary measures are best executed with proper understanding and awareness, we have also issued guidance on proper preventive methods such as the correct usage of face masks.

During the MCO period, Hai-O's business segments dealing with essential products and services obtained approval from the relevant authorities to continue operation with Emergency Response Protocol in place. In order to closely manage and monitor workplace safety and health in the midst of the pandemic, we have set up a COVID-19 Emergency Response Team ("CV19-ERT") which is led by the Group Managing Director and the Group Executive Director and supported by representatives from various business locations and functions. The CV19-ERT has helped Management assess the risk exposures of various operational activities and develop policies and procedures in consultation with MITI, the Ministry of Health, and other relevant authorities. In addition, the CV19-ERT is also tasked to coordinate the timely dissemination of relevant information to stakeholders, employees, as well as the Board.

Among the physical preventive and control measures undertaken to manage COVID-19 risks, we have applied the concept of minimal contact and social / physical distancing as much as possible. Technology capabilities, such as the adoption of QR Code scanning, have also helped us to minimize contact while enabling more efficient tracing if necessary.

The COVID-19 management and prevention measures will continue to be implemented and monitored strictly, guided by and in consultation with the relevant authorities, to protect all our stakeholders and the broader community.

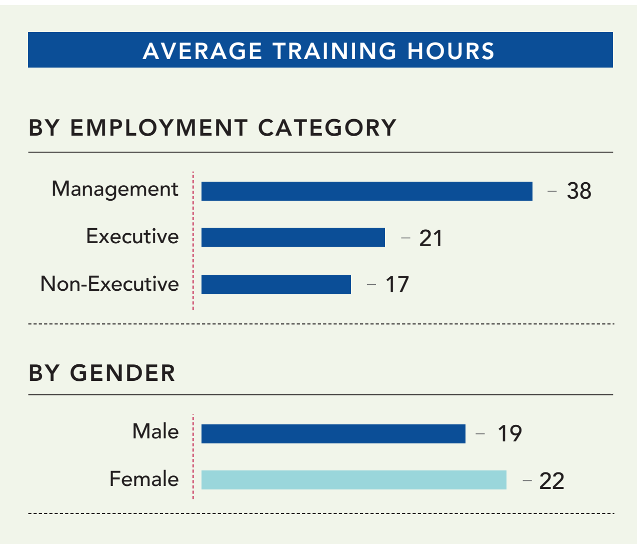
Training And Development

As a Group, Hai-O remains committed to the principle of equality in providing opportunities for learning and growth. All Hai-O employees receive regular performance and career development reviews, at least once a year. The review process serves as a structured evaluation approach to reward performance and to identify the training needs of employees. Hai-O rewards performers through formal recognition, including three Best Performance Awards (Retail outlet) and 38 qualifiers for Long Service Award, which were conferred during the financial year under review.

Apart from rewarding performance and identifying training needs, we also leverage on the review process to identify high-performing and loyal employees who have excelled in their respective positions for succession planning considerations.

In order to ensure our employees receive appropriate training to upskill themselves and enhance work capabilities, we have set minimum training requirements of at least 16 hours annually for managers and above, and at least 8 hours annually for executives.

In FY2020, Hai-O employees completed a series of training programmes totalling 10,550 training hours: 5,848 training hours for employees at our headquarters and 4,702 training hours for our retail outlet employees. On average, our employees have completed 21 training hours per person during the financial year under review. An analysis of training hours by employment category, gender, and a summary of the training category for FY2020 is presented as follows.



Target Skills	Related lesson/training (non-exhaustive)
Business management	Market and economic conference, costing, warehouse operation system, customer service, leadership conference, branding and marketing, digital payment systems, strategic thinking and business planning
Product knowledge	Product labelling technology (QR code and hologram), product briefing and information, sales acceleration
Accounting, finance and data analysis	Accounting Standards (MFRS) update, credit monitoring, tax impact
Audit and Risk Management	Improving audit quality, technical skills for internal auditors
Corporate Governance	Mandatory Accreditation Programme – Directors' responsibilities to stakeholder groups, basic principles in managing business and living a wonderful life, integrated reporting
IT management, Cyber security and Digital Marketing	Digital marketing and advertising, personal data protection, e-commerce operations, direct selling transformation, recruitment using social media, internet security, cyber security awareness, computer applications, advertising rules, Hai-O in-house system application
Compliance and regulatory	Malaysian Anti-Corruption Commission (Amendment) Act 2018 and corporate liability, corporate governance and anti-corruption, trade permits, Halal Rules & Regulations, OSH practices, trademark, advertising, Conformity Assessment Standards 2019 Seminar, OSHA 1994
Human Resource management	HR payroll system, HRDF conference and exhibition, HRDF training market framework, understanding of the employment & labour law
Safety, Health and Wellness	Chemical disaster, stress management, workplace safety and health, 5S Safety, forklift safety, anti-burglary, fire safety, OSHA 1994, gynaecological diseases and health
Self-development	MsExcel, photography skills, public speaking, mindset and motivation training, leadership training, presentation skills, self-improvement

Community Engagement

At Hai-O, we believe in the importance of sustainable development in a holistic manner. We are committed for all business undertakings to be made in good faith to creating shared values for business and society while maintaining continuous engagement with the community. Hai-O Group has been practising corporate social responsibility, fulfilling our social objectives of promoting multi-ethnic unity and harmony, advocating inter-ethnic interaction and understanding through community engagement in various activities, sponsorships, and contributions.

The establishment of Hai-O Foundation (also known as "Yayasan Hai-O") in 2009 reflects our commitment to corporate social responsibility. Since its inception, Hai-O Foundation has actively reached out to local communities particularly the needy and less fortunate, while supporting educational and cultural causes in various ways.

AI HUA JIAO FUND RAISING CAMPAIGN

FY2020 marks the tenth anniversary for the Ai Hua Jiao fund raising campaign organized by Hai-O Foundation in collaboration with Sin Chew Daily (星洲日报). The fund-raising campaign aims to empower our future generations through the provision of high-quality educational infrastructure and facilities. In FY2020, the campaign raised RM18.7 million for ten Chinese-medium schools in conjunction with its tenth anniversary (compared to a selection of five to six schools during usual campaign years), benefitting 9,500 students and teachers in Peninsular Malaysia. Over the past 10 years, the campaign has raised a total of RM116.2 million for 69 Chinese-medium schools through the Ai Hua Jiao Concerts.

HAI-O HIGHER EDUCATIONAL AID

EXCELLENT ACADEMIC AWARDS

Hai-O introduced the Excellent Academic Awards in 2016 for the children of our MLM entrepreneurs and employees to encourage academic performance and to cherish their success as dedicated and committed parents.

For the financial year under review, the closing date for the Excellent Academic Awards was extended due to the Movement Control Order (MCO). The awards for FY2020 will hence be disclosed during the next financial year.

The Hai-O Higher Educational Aid was launched in 2014 to provide financial assistance to employees' children pursuing degree or postgraduate programmes at higher learning institutions. The programme aims to encourage the next generation to further their studies to enhance competitiveness, to gain better opportunity for career progression and also serves as a token of appreciation to loyal employees.

During the financial year under review, Hai-O Higher Education Aid provided assistance amounting to RM75,000 for 15 eligible employees' children.

OUR PEOPLE

(CONTINUED)

COLLABORATIVE RESEARCH INITIATIVE

As a healthcare industry player, Hai-O is supportive of ongoing developments in the healthcare space, especially in TCM. In July 2019, Hai-O, Tung Shin Hospital, and Universiti Tunku Abdul Rahman signed a Memorandum of Agreement to collaborate on a research project to determine the syndrome differentiation of breast cancer patients treated with adjuvant traditional Chinese medicine. Research and development remains an important focus in the development of the healthcare industry to provide alternative treatment methods and options for better lives.

FOOD AID DURING MOVEMENT CONTROL ORDER (MCO)

During the MCO period, the livelihood of many has been affected. Headquartered in Klang, Hai-O played its part by providing food aid to those in need, including low-income students, single-parent families, and the unemployed to help them overcome the difficult MCO period. Food items donated included rice, masks, flour, oil, sugar, noodles, canned food and dried food.

"MANIS CERIA BERSAMA, KASIH JELAS TERASA"

As part of our Daripadamu Untukmu's annual programme for the FY2020 financial year, Yayasan Hai-O and Sahajidah Hai-O Marketing Sdn. Bhd. ("SHOM") jointly organised a Majlis Berbuka Puasa with Bait al-Mawaddah, an old folks' home at Shah Alam. The slogan for the event is "Manis Ceria Bersama, Kasih Jelas Terasa", which signifies the sharing of love and care among the home residents, Yayasan Hai-O and SHOM who work together to make this event a success. The event activities involved the cooking and packing of *bubur lampuk*, which were delivered to a few community homes and centres including *Bait al-Salam* (*pusat kebajikan mualaf* managed by *Lembaga Zakat Selangor*), *pusat tahfiz*, *pusat perlindungan wanita*, and two other centres. In addition, the home residents also received health care products and donations by SHOM and the CDM leaders.

CNY "MAKE A WISH" CHARITY CAMPAIGN

In conjunction with Chinese New Year 2020, Hai-O organised the CNY "Make A Wish" charity campaign which donated a total of RM17,000 to seven community homes and centres according to the wishes of employees. The community homes and centres include children's homes, old folks' homes, and charity centres across Malaysia.

CARING FOR OUR STAFF - HEALTH PACKAGES

In conjunction with Hai-O's 45th anniversary which was celebrated online with our employees at the end of April 2020, Hai-O took the opportunity to distribute health packages consisting of health supplements and products, and masks to all our employees. This was also a token of appreciation to create health awareness and to help boost the immunity of our employees and their families amid the COVID-19 pandemic.

BLOOD DONATION CAMPAIGN

The Group has also organised and/or contributed to various programmes aimed at promoting and raising awareness of healthcare and well-being of the community of Hai-O as well as the wider community. One of such events was the blood donation campaign co-organised by Kelab Muhibbah Hai-O and *Angkatan Pertahanan Awan Unit Sungai Pinang* at Klang Parade. The campaign provided free health and dental check-ups, CPR demonstrations, and collected 230 bags of blood.

SUPPORT ARTS & CULTURAL ACTIVITIES

Acknowledging the significance of arts in the advancement of society, Hai-O launched the first annual Hai-O Arts and Culture Grants under the patronage of Hai-O Foundation on 28 November 2018 to encourage and support Malaysian arts and cultures across all ethnicities. The Hai-O Arts and Culture Grants is formed in on the spirit of social justice, multi-ethnic unity, and harmony.

In FY2020, eight eligible applicants were awarded a total of RM50,000. Further details relating to the grants, including information relating to the works produced under the grants, are available on Hai-O's corporate website.

In FY2020, Hai-O also presented its Youth Literature Award in conjunction with the 34th University of Malaya ("UM") Chinese Studies Literature Fortnight event. The Award aims to encourage studies and development in Chinese literature amongst youths.

OUR PRODUCT

3 GOOD HEALTH AND WELL-BEING

To provide safe and high quality products that cater to improving the well-being of our customers.

This Sustainability Focus Area discusses the following material sustainability matters:

- Product Safety And Quality
- Product Certification
- Manufacturing Certification
- Product Innovation

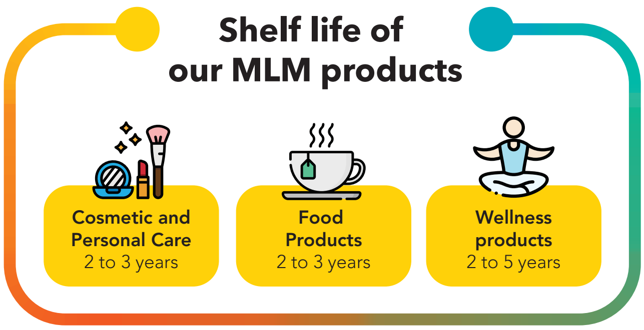
Product Safety And Quality

We pride ourselves in using only quality ingredients and adhering to strict regulatory requirements at our certified laboratories and manufacturing plants as our customers' health and safety is of utmost importance. Product safety consideration is incorporated as a non-negotiable assessment criterion even before a product can be approved and included in the Group's product portfolios. Subsequently, every step of the manufacturing process from commencement to manufacturing, packaging and market readiness is designed with product quality and safety as the key focus. We also undertake vigorous testings to detect the presence of contaminants and to evaluate the efficacy of each product for its intended use.

We comply with regulations set by the National Pharmaceutical Regulatory Agency ("NPRA") which uses a strict registration and licensing scheme to maintain the quality, safety and efficacy of products distributed in the local markets. All TCM products with MAL[1] registration numbers including health supplements and traditional preparations are registered with the NPRA. Products under our MLM segment are assessed by professional testing bodies recognised by government agencies on their safety and health impacts. The safety of the products is governed by regulatory bodies including the NPRA and the Food Safety and Quality Division ("FSQD") under the Ministry of Health.

We also comply with all other applicable laws and regulations governing food safety.

Apart from compliance with laws and regulations governing the safety and quality of our products, Hai-O has also established in-house teams dedicated to perform quality checks on every batch of products before selling, including assessing the physical appearance, aroma and taste (for edible products), and specifications. All products are assessed for their respective shelf-life/validity period to make sure that products sold are safe to use/consume. Retention samples from each batch are used to enable future verification, reference, batch tracing, and even investigations or testing, if required. The process is in line and compliant with the ISO standards adopted by Hai-O.



[1] On the packaging of all registered products are labels with the two distinct features: the registration number (starting with ("MAL")), as well as the hologram security label.

Product Recall Process

We have formalised a product recall policy and process to cater for situations where products need to be recalled. The product recall policy and process is developed in line with the recall procedures prescribed by the NPRA for MAL registered products.

Our current practices and procedures throughout the production process, including batch tracing and the use of product labelling technology, also help towards an efficient product recall process, enabling the accurate tracing of product and minimising the potential negative impact to consumers and the Group.

During the financial year under review, there were no incidents of product recall.

Product Certification And Manufacturing Certification

Product and manufacturing certifications enable us to adopt international practices in our processes, and also provides independent assurance from locally and internationally recognised accreditation bodies to give further comfort to our stakeholders.

Apart from the registration of products with relevant authorities as discussed above, we have received HALAL certifications for more than 100 products and KKLIU[2] certification which allows us to advertise our products through the appropriate channels.

As for our manufacturing and related processes, we have obtained the following certifications:

- **Good Manufacturing Practice ("GMP")** which governs the manufacturing and production of food or pharmaceutical products;
- **ISO 9001:2015** which specifies the requirements for a quality management system;
- **Hazard Analysis and Critical Control Point ("HACCP")** which is a management system addressing food safety through the production chain from sourcing to consumption;
- **SAMM Accreditation (MS ISO/IEC 17025)** which is an accreditation under the Skim Akreditasi Makmal Malaysia ("SAMM") based on ISO/IEC 17025, in relation to the competence of testing and calibration laboratories.

Audits are performed regularly by the accreditation bodies, as summarised in the following table:

Certification	Certified process/ company	Audit Frequency
GMP	Manufacturing plants at Lot 1388 and Wisma Hai-O	Annually
ISO 9001:2015	MLM at Wawasan Hai-O and Manufacturing plants at Lot 1388 and Wisma Hai-O	Annually
SAMM Accreditation (MS ISO/IEC 17025)	Laboratories and QC team	Annually
HACCP	Manufacturing plants at Lot 1388 and Wisma Hai-O	Bi-annually

Product Innovation

Building a strong product portfolio is vital for the Group. A good product is one that is safe and of high quality, contributes positively to consumer well-being, and is well received. In order to build strong product portfolios, we adopt a structured approach to regularly review and assess our portfolios, taking into consideration relevant business strategies and market research and analysis. Our product portfolio building process also considers any potential environmental impact which is discussed in the section: Our Planet on pages 62 to 63 of this Annual Report.

We are constantly exploring new opportunities and potential products by keeping ourselves abreast of technology, trends, and developments in the healthcare industry locally, regionally, and even internationally. The PB 360 Thera Pants and Infinence Men's Radiation Protection Boxer launched by SHOM represent the highlight of our newly launched products during the financial year under review.

Product Highlights

PB 360 Thera Pants - functional shaping pants specially designed with fabrics and technology from US, Japan & Korea.

Infinence Men's Radiation Protection Boxer - uniquely designed with Lenzing Modal & Silver Fibres which reduces EMF radiation by up to 99%.

[2] Pharmaceutical Services Division, Ministry of Health Malaysia

OUR PRODUCT

(CONTINUED)

Procurement Management

Hai-O forms business relationships with different business partners across our supply chain for different purposes, including the procurement of new products, sourcing of materials and contracting for manufacturing. Therefore, supply chain management is important to the development, production and delivery of our products.

In the selection of supply chain business partners, we apply various assessment criteria depending on the raw material, product, or manufacturing process in question. We implement an effective procurement system which screens and assesses new products, new materials, and new suppliers before entering into any business relationships. We aim to have a good understanding of our supply chain business partners, including any significant social and environmental impact of their operations such as raw material input, manufacturing process, and management of significant waste/ by-products, as we seek to establish long-term and sustainable business relationships. This process is further supported by site visits and/or sighting of certification documents such as GMP, HACCP and ISO, where applicable. We review and evaluate our approved suppliers' performance annually to detect non-conformity, if any, and to ensure that any risks arising are duly mitigated.

For every batch of procured food, supplement, skincare, and cosmetic products, we will obtain a Certificate of Analysis ("COA") from the supplier as assurance that the product meets the regulated and agreed specifications. Furthermore, in our MLM and Manufacturing segments, we proactively practise traceability throughout our supply chain management as well as adopt other best practices through the ISO 9001:2015 Quality Management System guidelines.

Product Labelling and Responsible Marketing

Product labels contain information that helps our customers make informed decisions based on their needs. It is thus important that the labelling on our products communicate accurately, truthfully, and effectively with customers and potential customers. Most of Hai-O's products are labelled in at least two languages to cater for the diverse demographics of Malaysian customers.

How to Identify Registered Products

Health supplements and traditional preparations are considered pharmaceutical products and must be registered. There are two main features for registered products:

- Registration number starts with "MAL", followed by eight numbers and ending with the letter T, A, X or N; and
- Genuine hologram sticker on the packaging of the product.

Please refer to the official government website of the National Pharmaceutical Regulatory Agency or official website of the Ministry of Health for further details.

During the financial year under review, we began to adopt Super QR labelling technology embedded with security features as an anti-counterfeiting measure not only to safeguard our business but more importantly, to protect our customers against fake products. The technology enables product authenticity verification, traceability, and assigns a unique identification for every box of the product.

All trademark registration of our products is properly managed to protect our customers and business interests, and to reduce the risk of counterfeit products.

Super QR Code

Our MLM product – Min Kaffe is sealed with a unique Super QR Code label on its packaging to help consumers and buyers validate that the product is genuine and distributed by SHOM. Scanning a Super QR Code marked with "Customer Scan" on a product distributed by SHOM will show the following:

Advertising and Marketing Practices

The Hai-O Group is committed to practising responsible marketing and communication. Our marketing and advertising strategy and practices are compliant with applicable laws and regulations and they shall communicate accurate information, advertise and market with integrity, promote our brands with honesty and avoid misrepresenting product information on quality, origin, performance and others.

SHOM, our MLM subsidiary, is a member of the Direct Selling Association of Malaysia (DSAM) and abides by the DSAM Code of Conduct on fair and ethical direct sales practices in the marketplace. SHOM distributors' Code of Ethics also specifies various guidelines which amongst others, disallow distributors to misinterpret product quality, origin and performance when marketing our products.

The Group also provides relevant communication and training to our salesmen and distributors on advertising laws and regulations, responsible marketing, and truthful representation of the Group's products. Regular product briefings and trainings, especially for newly launched products, are conducted for salesman and distributors to enhance their knowledge to better serve customers.

OUR PLANET

To strengthen our efforts towards protecting the environment when carrying out our business operations.

This Sustainability Focus Area discusses about the following material sustainability matters:

- Energy Consumption
- Green Product And Packaging
- Waste And Recycling

As a Group, Hai-O has adopted the ethos of sustainability because we are cognisant that environmental stewardship is critical to the sustainability of businesses.

Energy Consumption

A major source of Hai-O's carbon footprint comes from energy use in our offices, mainly in the form of electricity generated from mostly non-renewable sources such as natural gas and coal in Malaysia.

We aim to reduce energy usage through the progressive upgrading of incandescent and fluorescent lights to LED lights. LED lights typically last longer and boast better energy and cost efficiency, helping to reduce electricity usage and cost. In order to strike a balance between waste generation, investment cost and energy saving, we have adopted an approach to prioritise the upgrading of existing lighting systems which are nearing the end of their usable product life.

For the financial year under review, we upgraded the lighting system for another retail outlet to LED. As at 30 April 2020, nine of the Group's 57 retail outlets were fully fitted with LED lighting systems, resulting in approximately 20% cost and electricity savings for each outlet.

We also closely monitor electricity usage for our buildings at Wisma Hai-O (Klang), Lot 1388 (Klang), Wawasan Hai-O (Klang), and Menara Hai-O (Kuala Lumpur, formerly Sun Kompleks). As at 30 April 2020, we achieved 50% conversion to LED lighting systems, up 10% from the previous financial year, translating to cost savings of approximately RM25,000 based on 40,000 kWh reduction in our electricity consumption, as summarised in the following table. (Note: electricity expense is derived directly from electricity bills. Year-on-year difference may not be wholly attributable to the conversion exercise.)

	Unit	FY 2018	FY 2019	FY 2020
Percentage of total floor area converted to LED lighting systems	%	30	40	50
Total electricity usage	million kWh	1.99	1.93	1.89
	RM '000	1,027	993	964

Green Product And Packaging

As a responsible multi-business Group, we are committed to minimising the environmental footprint associated with our services and products. Our product portfolio development process has also incorporated our preference for green products that minimise the use of materials harmful to the environment.

Under our Retail business, we encourage the use of vegetarian capsules as a substitute for bovine capsules which are non-vegetarian. Despite the higher cost, vegetarian capsules offer extra benefits in terms of stability and solubility and are perfect for people who cannot consume gelatine for religious, cultural or dietary reasons.

Hai-O will continue to explore the feasibility of adopting more environment friendly packaging for our products over the longer term, and will closely track current and new market practices to manage the environmental impact of our products and packaging. Any enhancement of existing products or product packaging to more environmentally responsible alternatives may require close collaboration and strong working relationships with our business partners, including product principals, and thus a shared vision across our product value chain will help in the journey towards more environment friendly products and brands.

Waste And Recycling

Reducing the use of paper

It is our mission to practice '3R' - reduce, reuse and recycle – throughout the Group as far as practicable, Inevitably, paper as one of the most highly consumed resources, is a key focus of the '3R' drive. Indeed, paper is widely used across the Group's business operations including distributor registration, procurement, members statements and for other administrative purposes. Besides making conscious efforts to source for environment friendly paper, we are also actively shifting towards electronic platforms to reduce paper usage. In addition to environmental considerations, we also note potential positive impact on operational efficiency and physical space efficiency.

SHOM, our MLM division, has since October 2017 initiated an upgrade of its membership management process, starting with the implementation of e-registration for new members and subsequently the migration of existing members to e-membership. In the financial year ended 30 April 2020, we successfully registered more than 99% of new MLM members on the e-membership platform.

	FY 2018	FY 2019	FY 2020
% of new members registered on e-membership platform	45%	95%	99%

Furthermore, SHOM has switched to electronic membership cards since September 2019, hence eliminating the need to issue plastic cards. All MLM membership statements are currently delivered to members electronically, and SHOM is progressively moving other operational processes and communications online. The latter includes online ordering and the sharing of materials, e.g. e-sales kit and e-bulletin, to facilitate effective and efficient operation and communication while preserving environmental resources.

Our Retail segment is also taking similar initiatives to reduce paper usage, targeting to migrate to card-less Friendship membership moving forward.

At the corporate level, Hai-O has also intensified our '3R' efforts by investing in an electronic platform to safely and securely disseminate business documents, including board meeting papers.

Other wastes

Our '3R' mission is not limited to just paper. We also strive to reduce the use of plastic bags across our MLM and Retail segments. We do not provide plastic bags for the MLM business, while our retail stores only provide biodegradable plastic bags but are encouraged to reuse carton boxes to pack goods for customers.

Elsewhere, we reconstruct broken pallets to reuse (typically three or four broken pallets can be reconstructed into two usable units) , and also actively reuse carton boxes for packing and delivery.

In order to ensure the safe disposal of expired or defective pharmaceutical products and MAL registered products, we have established processes for waste management in compliance with applicable laws and regulations. During the financial year under review, we disposed 330 kgs of broken glass (FY2019: 760 kgs and FY2018: 230 kgs) at designated sites in allocated containers approved by the Department of Environment. For the financial year under review, there were no fines and penalty due to non-compliance with waste management laws or regulations.

The following table illustrates the amount and types of wastes disposed and/or recycled from the Group's offices and warehouses.

Types of wastes disposed and/or recycled	Unit	FY 2018	FY 2019	FY 2020
Paper	kg	3,334	9,350	26,607
Plastic	pieces	693	650	739
Metal	kg	2,299	6,130	1,356
Battery	units	11	7	6
Toner casing/parts	pieces	0	232	7

The significantly higher volume of paper waste disposed during the financial year under review reflected an intensive exercise to reorganize and remove historical paper records as the migration of business documents to the new electronic platform has substantially eliminated the need to keep physical documents. We expect paper waste disposal to be reduced in the coming financial year.

Conclusion

On an ongoing basis and together with our efforts towards a sustainable business model, Hai-O's Sustainability Strategy will remain an integral part of our business management process. We will continue to monitor, manage, and improve on sustainability management and performance. We will strive to maintain our economic, environmental, and social progress in the coming years to build a strong, sustainable and resilient business.

GRI Content Index

Please visit our corporate website at www.hai-o.com.my or scan this QR code.

AUDIT COMMITTEE REPORT

The Audit Committee ("The Committee" / "AC") assists our Board of Directors ("the Board") in fulfilling its oversight responsibilities. The AC is committed to its role in ensuring the integrity of the Group's financial reporting process and monitoring the management of risk and system of internal controls, external and internal audit processes, and such other matters that may be specifically delegated to the AC by our Board.

COMPOSITION

The AC is appointed by the Board from amongst its members, and presently comprises three (3) Directors, all of whom are Independent Non-Executive Directors, who satisfy the test of independence under the Main Market Listing Requirements ("MMLR") of Bursa Securities. A majority of the AC members possess the requisite qualifications as stipulated under paragraph 15.09(1)(c) of the MMLR of Bursa Securities.

The Chairperson of AC is elected from amongst the members and is an independent director. In respect to this, the Company complies with Paragraph 15.10 of the MMLR.

Should there be a vacancy in the AC resulting in the non-compliance of Paragraphs 15.09(1) and 15.10 of the MMLR, the Company must fill up the vacancy within three (3) months thereof.

The AC comprises the following Directors: -

Name	Designation	Directorship	No. of Meetings Attended in FY2020
Tan Beng Ling	Chairperson	Independent Non-Executive Director	5/5
Tan Kim Siong	Member	Independent Non-Executive Director	5/5
Chia Kuo Wui *(appointed as a member on 1 July 2020)*	Member	Independent Non-Executive Director	-
Chow Kee Kan @ Chow Tuck Kwan *(ceased to be a member on 4 May 2020)*	Member	Senior Independent Non-Executive Director	4/5

TERMS OF REFERENCE

The terms of reference which include composition, authority, responsibilities, meetings and specific duties of the AC are disclosed and published on the Company's website at www.hai-o.com.my under Investor Relations – Corporate Governance section.

ATTENDANCE OF MEETINGS

A total of five (5) Committee meetings were held during the financial year ended 30 April 2020. The attendance of each Committee members is summarized as per the table above.

The quorum for a meeting shall be made up of a majority of the members present who shall be Independent Directors. The Company Secretary is the secretary of the AC.

The Group Managing Director, Group Executive Director who is also the Group Chief Financial Officer, representatives from Accounts, Finance and Operation Management, Head of Group Internal Audit, and representatives from the External Auditors have been invited to attend the meetings during the financial year. Minutes of each AC Meeting were circulated to the members and tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

During the financial year ended 30 April 2020, the AC Chairperson presented to the Board the AC's recommendations to approve the annual financial statements and quarterly financial reports. The Chairperson also briefed the Board on the summary of matters raised by the External Auditors and Internal Auditors on significant matters highlighted during the course of audit, including financial reporting issues as well as significant judgements and estimates made by Management and how these matters were addressed.

For each of the significant matters highlighted by the External Auditors, the Committee had considered the rationale and judgements provided by Management and discussed the same with the External Auditors to ensure that the correct accounting policies had been used and were in line with the requirement of the prevailing accounting standards.

The Head of Group Internal Audit attended the AC meetings to present the internal audit review reports on the risk assessment and system of internal controls together with the recommendations thereon. The Head of the respective Business Units and their team were invited to attend the AC meetings to facilitate deliberations as well as to provide clarification and explanation on audit issues particularly on specific control lapses and issues arising from the relevant audit reports.

REPORTING OF BREACHES TO THE BURSA MALAYSIA SECURITIES BERHAD

If any matter reported by the AC to the Board of the Company has not been satisfactorily resolved resulting in a breach of the MMLR, the AC shall promptly report such matter to Bursa Securities.

SUMMARY OF WORK DURING THE FINANCIAL YEAR ENDED 30 APRIL 2020

The AC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 April 2020 and up to the date of this Report, the work carried out by the AC in discharging its duties and responsibilities included: -

1. Reviewed and discussed with Management on changes in accounting policies, going concern assumptions and significant matters highlighted including financial reporting issues, significant judgements made by Management and steps taken to address the matters during the review of:
   i. the unaudited quarterly financial results before recommending to the Board for approval; and

   ii. the audited financial statements for the financial year ended 30 April 2020 before recommending to the Board for approval.

2. Reviewed and discussed with the External Auditors, KPMG PLT, on the scope of their audit work, the results of their examination, the auditors' report, management letters in relation to the audit and accounting issues arising from the audit and compliance with new accounting standards and regulatory requirements, as well as the assistance given by employees of the Company to the External Auditors;

3. Reviewed and approved the annual audit plan of the Company and the Group proposed by the External Auditors, KPMG PLT for the financial year ended 30 April 2020. The audit plan covered among others, its engagement team, audit materiality, key audit matters, other significant audit matters and audit methodology;

SUMMARY OF WORK DURING THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

4. Reviewed and assessed the audit fees and the nature of non-audit services and the related fee level compared to the external audit fees of the Company and the Group;

5. Reviewed and assessed the performance and independence of the External Auditors, KPMG PLT, taking into account the quality and timeliness of the report furnished, the sufficiency of resources allocated in the conduct of the audit, the level of understanding demonstrated on the Group's business and communication on new and applicable accounting practices and auditing standards and its impact on the Company and the Group's financial statement. The AC was satisfied with the outcome of the performance assessment and independence of the External Auditors for FY2020 and recommended to the Board for the re-appointment of KPMG PLT as External Auditors for the financial year ending 30 April 2021 and the fees proposed;

6. Held two (2) private sessions with the External Auditors and one (1) private session with the Head of Group Internal Audit Department ("IAD") without Management's presence to discuss matters of interest which included among others, (i) the issues encountered, co-operation and assistance given by employees of the Company to the External Auditors and Group Internal Auditors during the course of audit; (ii) sharing of information and the proficiency and adequacy of resources in financial reporting function and (iii) sharing of information and feedback amongst the external auditors and internal auditors;

7. Reviewed and assessed the staff force requirement of the Group IAD;

8. Reviewed, appraised and assessed the performance of the Head of Group IAD;

9. Deliberated and approved the Internal Audit Plan for the financial year to ensure adequate scope and comprehensive coverage of audit and that audit resources were sufficient to enable the Group IAD to discharge its functions effectively;

10. Reviewed the progress of the Internal Audit Plan on a quarterly basis to ensure the adequacy and effectiveness of the internal audit activities, the availability of adequate resources and the scope of audit;

11. Reviewed the quarterly internal audit finding status reports and deliberated on the management and corrective actions and the time taken by Management to ensure that the control deficiencies are addressed and resolved promptly;

12. Deliberated and reviewed the risk management and internal control systems, processes, procedures or activities undertaken by the External Auditors, the Internal Auditors and Management and the outcome therefrom to ensure that all high and critical risk areas were being addressed;

13. Reviewed related party transactions ("RPT"), recurrent related party transactions ("RRPT") and conflicts of interest situations that may arise within the Company or the Group including any transactions, procedures or code of conduct that may raise concerns or questions on Management's integrity. The Group has put in place a set of policies and procedures to be adhered to in the event of RPT, RRPT and conflicts of interest situations. The AC has reviewed the RPT, RRPT and potential conflicts of interest matters once during the financial year ended 30 April 2020;

14. Reviewed and verified that the total options allocated and granted under the Company's Employees' Share Option Scheme ("ESOS") to-date were in accordance with the allocation criteria approved by the ESOS Committee and in compliance with the By-Laws of the ESOS. Areas reviewed included the maximum number of shares available under the ESOS, eligibility of the allottees and basis of allocation. The AC has also reviewed the status of ESOS including total options exercised and forfeited during the financial year;

15. One of the AC members had performed periodical visits to the Group IAD to discuss and review on-going audit matters, audit recommendations made by the Internal Auditors and reviewed the status of action plans taken by Management to address the areas of concern; and

16. Reviewed the AC Report and the Statement on Risk Management and Internal Control before recommending to the Board for approval for inclusion in the FY2020 Annual Report.

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR ENDED 30 APRIL 2020

1. Financial Reporting

The AC reviewed with Management and deliberated on the quarterly consolidated financial statements and the annual financial statements of the Company and the Group prior to the approval by the Board, focusing primarily on:

- changes or implementation of major accounting policies;
- significant matters highlighted by Management, including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters were addressed;
- compliance with accounting standards and other legal or regulatory requirements to ensure that the financial statements gave a true and fair view of the state of affairs;
- financial results and cash flows of the Company and the Group; and
- compliance with the Malaysian Financial Reporting Standards and the provisions of the Companies Act 2016 as well as the MMLR.

New financial reporting standards and amendments that came into effect during the financial year were discussed with the External Auditors at the AC meetings. The adoption of these new standards and amendments did not have any significant impact on the financial results for the current or prior years and are not likely to materially affect future periods.

The AC also reviewed and, where applicable, commented on the representation letters by Management to the External Auditors in relation to the audited financial statements.

In accordance with International Standards on Auditing, key audit matters which in the opinion of the External Auditors were of significance in their audit of the annual financial statements were brought to the attention of the AC and highlighted and addressed by the External Auditors in their audit report.

2. External Auditors

The AC also reviewed and discussed with the External Auditors the annual audit plan to set out the proposed scope of work before their commencement of the audit of the financial statements of the Company and the Group.

The proposed audit fees for the External Auditors in respect of their audit of the financial statements of the Company and its unlisted subsidiaries were analysed and reviewed by the AC before recommendation to the Board for approval. Non-audit fees and non-audit related costs payable to the External Auditors for non-audit services rendered by the External Auditors during the financial year were also reviewed and considered in ascertaining the suitability and independence of the External Auditors.

The AC conducted its annual assessment based on among others, the External Auditors' independence, sufficiency of resources allocated in the conduct of the audit, level of understanding demonstrated of the Group's business and performance before recommending the re-appointment of the External Auditors to the Board of Directors for tabling to the shareholders for approval at the forthcoming AGM.

The AC met three (3) times with the External Auditors during the financial year ended 30 April 2020 at the AC meetings held on 24 June 2019, 18 July 2019 and 24 March 2020. The AC had two (2) private meetings with the External Auditors without the presence of the Management at the meetings held on 24 June 2019 and 24 March 2020 respectively.

3. **Internal Audit**

The AC reviewed and approved the Internal Audit Plan for the financial year ended 30 April 2020 for the Company and the Group presented by the Head of Group IAD to authorise the deployment of necessary resources to address risk areas identified.

The AC reviewed and deliberated on the internal audit reports issued in respect of the Group's entities and/ or operations every quarter. The audits covered various operations, systems, processes and functions across the Company and the Group. Some weaknesses in internal control were identified for the year under review but these were not deemed significant and have not materially impacted the business or operations of the Group.

The internal audit reports also included follow-up on corrective measures to ensure that Management had addressed the weaknesses identified in a satisfactory manner and the AC had been updated on the progress accordingly.

During the financial year ended 30 April 2020, the AC met five (5) times with the Head of Group IAD at the AC meetings held on 24 June 2019, 18 July 2019, 25 September 2019, 17 December 2019 and 24 March 2020. The AC had one (1) private meeting with the Head of Group IAD without the presence of the Management at the AC meeting held on 17 December 2019.

A total of six (6) audit reports were furnished to the AC for review and deliberation. The Group IAD had reviewed and conducted audits and assessed the adequacy and integrity of the systems of internal control in accordance to the audit plan as approved by the AC. The results of the audit conducted, as well as key control issues and recommendations were highlighted to the AC upon completion of each audit session for discussion and assessment.

With regard to the internal control framework, the Group IAD adopted the COSO framework and principles as methodology to assess the system of effective internal controls. The Group IAD conducted the audit with reference to the guidelines of The International Professional Practice Framework, International Standards for the Professional Practice of Internal Auditing, and following the guidance of The Institute of Internal Auditors' Code of Ethics as well as the Group's and the Company's policies.

In arriving at its professional judgement, the Group IAD had completed sufficient and appropriate audit procedures and was supported by evidence to accurately report the conclusions reached and contained in the audit report. The conclusions were based on a comparison of the actual situation at the time of the audit with the assessment criteria, best practice and generally accepted standard of practices.

The Head of Group IAD, Ms. Wong Ngiik Moi, was appointed in March 2016 and is currently supported by one (1) Senior Executive and one (1) Executive. She is a member of the Institute of Internal Auditors Malaysia, Certified System Investigator ("CSI") and holds a Degree in Accounting. She has extensive knowledge and working experience in the internal audit field with exposure to various industries and Corporate Risk Management.

4. **Related Party Transactions ("RPT")**

Related party transactions of the Company and the Group which exceeded the pre-determined thresholds as set out in the Group's Internal Policy were reviewed by the AC to ensure that these transactions were fair, reasonable, on normal commercial terms, not detrimental to the interests of the minority shareholders and in the best interest of the Company and the Group before recommending the same to the Board for approval.

The AC reviewed the RRPT of a revenue or trading nature which were necessary for the day-to-day operations of the Company and the Group to ensure that the transactions were in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public or non-related third parties, whether there were any compelling business reasons for the Company to enter into the RPT or RRPT and the nature of alternative transactions and whether the RPT or RRPT would impair the independence of the related party, if he / she is an independent director.

4. **Related Party Transactions ("RPT") (Continued)**

   During the financial year ended 30 April 2020, there were no RPT or RRPT that triggered the disclosure threshold under the MMLR and required approval by shareholders at general meeting. The transactions or any one-off transaction entered into between Hai-O Group and the related parties that may trigger conflicts of interest, carried out in the normal course of business, were properly disclosed and the transactions were conducted in accordance with the Group's purchasing policy and were within arm's length perimeter pursuant to the Company's Code of Ethics.

SUMMARY OF WORK OF THE GROUP INTERNAL AUDIT DEPARMENT

The Company has established a Group IAD to carry out the internal audit function for the Group. The primary role of the Group IAD is to undertake regular and systematic review of the systems of internal controls so as to provide sufficient assurance that the Group has in place a sound risk management, internal control and governance system. The Group IAD maintains its impartiality, proficiency and due professional care when executing its plans and reports directly to the AC.

The Group's risk-based internal audit plan was drawn up taking into consideration the potential high-risk areas identified through the risk register maintained by Management which was prepared based on the risk level and control assessment review conducted by the Group IAD, discussions with Management and in consultation with the AC.

The summary of the internal audit works included:

- Reviewed and updated the annual audit plan for deliberation and approval by the AC;

- Performed operational audits on business units of the Group according to the annual audit plan to ascertain a proper system of risk management and adequacy of the internal control systems. Key control issues and recommendations for improvement were highlighted to enable the AC to execute its oversight function;

- Results of the internal audit reviews were reported to the AC on a quarterly basis;

- Performed follow-up reviews to ensure that audit recommendations and action plans were implemented by Management; and

- Reviewed RPT / RRPT and conflicts of interest situations that may arise within the Company and the Group.

During the financial year ended 30 April 2020, the Group IAD reviewed and conducted six (6) audits assignments and assessed the adequacy of the internal control systems on business operations including Management of Purchasing and Licenses; Warehouse and Billing Process; Management of Sales, Debtors and Warehouse; Product Development; Production and Material Planning; and Marketing and Advertising and Promotion for the Wholesale, Multi-Level Marketing, Retail and Manufacturing segments.

The Group IAD performed Risk Management and RPT / RRPT reviews during the financial year. During the bi-annual risk management reviews, the Group IAD was also involved in the setting up of the Anti-Bribery Framework and had put in place adequate procedures required by Section 17A of MACC Act, 2009.

In addition, audit reviews were made at the request of the AC and senior management on specific areas of concern as a follow-up in relation to high-risk areas identified during the course of business. All internal audit reviews were reported to the AC on a quarterly basis.

The Group IAD also followed up to review the status of Management actions carried out based on audit recommendations.

The operation cost incurred for the internal audit function of the Group in respect of the financial year ended 30 April 2020 amounted to RM299,419.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is pleased to present to our Shareholders the Corporate Governance ("CG") Overview Statement of the Company and the Group. This CG Overview Statement should be read in conjunction with the CG Report, which is available on the Company's website at www.hai-o.com.my. The CG Report provides details on how the Group has applied each Practice as set out in the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 30 April 2020 and up to the date of this Report.

The Board recognises the importance of the MCCG and is committed towards achieving high standard of corporate governance practices, values and ethical business conducts. Corporate governance practices shall be the fundamental aspect in the Group's business dealings and culture.

The CG Overview Statement reports on how the Group has applied the following three principles, its key focus areas and future priorities with references to the principles and practices of the MCCG, having considered the Group's structure, business environment and industry practices:

a) Board Leadership and Effectiveness;
b) Effective Audit and Risk Management; and
c) Integrity in Corporate Reporting and meaningful Relationship with Stakeholders.

The Board is satisfied that the practices set out in the MCCG have, in all material aspects, been applied to achieve their intended outcomes which are found to be suitable and appropriate to the Group as set out in this Statement and the CG Report. The departures and non-adoptions under the MCCG include the following:

- Practice 4.5: The Board discloses the Company's policies on gender diversity, its targets and measures to meet those targets.
- Practice 7.2 & Practice 7.3 Step Up: The Board discloses on a named basis the top five (5) senior management's remuneration.

The explanation for the departures, the Company's intended actions and timeframe to address the departures are disclosed in the CG Report.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Part I - Board Responsibilities

Intended Outcome 1.0

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

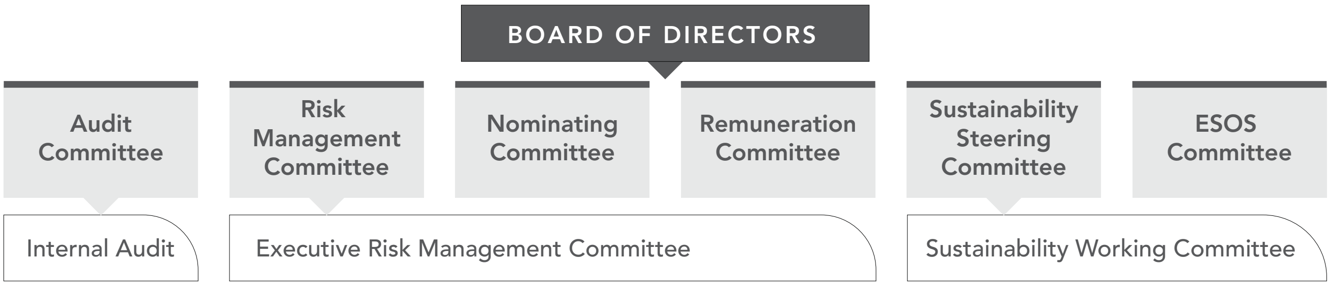
Intended Outcome 2.0

There is demarcation of responsibilities between the board, board committees and management; there is clarity in the authority of the board, its committees and individual directors.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

The Board

The reporting structure of the Company, where the power of the Board is delegated to the relevant Board Committees and the Management of the Company, is depicted below:



The Board is collectively responsible for the proper stewardship of the Group's business in achieving the objectives and long-term goals of the Company. The functions, roles and responsibilities of the Board are set out in the Board Charter.

The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the responsibilities in discharging its fiduciary and leadership functions. Matters that require prior review and approval by the Board are set out in the agenda of the annual meeting calendar. Pursuant to Clauses 126 and 138 [1] of the Company's Constitution, questions arising at any Board meetings or decisions of the Board shall be decided by a majority of votes of the Directors present, each Director having one (1) vote. In the case of an equality of votes, the Chairman shall have a second or casting vote provided always that the Chairman of a meeting at which only two (2) Directors are present or at which only two (2) Directors are competent to vote on the questions at issue shall not have a second or casting vote, or alternatively, circular resolutions must be signed by a majority of the Directors. The Company Secretaries keep the minutes of the Board meetings, a draft of which is circulated to Management and Directors for their comments prior to approval by the Chairman.

To ensure the effective discharge of its functions and responsibilities, the Board delegates powers of the Board to the Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee, Sustainability Steering Committee and ESOS Committee to oversee the Group's affairs in accordance with their respective Terms of Reference. All proceedings, matters arising, deliberations in terms of the issues discussed, and recommendations made by the Board Committees' at their respective meetings are recorded in the minutes by the Company Secretaries, confirmed by the Board Committees, signed by the Chairman of the respective Committees, and reported to the Board. Upon invitation, Management representatives are present at the Board Committees' meetings to provide additional insight on matters to be discussed during the said Committee meetings, if so required.

The Board, assisted by the respective Board Committees, is responsible for, among others, the following:

- Reviewing and adopting a strategic plan for the Group, taking into account the sustainability of the business of the Group with attention given to the environmental, economic and social aspects of the operations;
- Overseeing and evaluating the conduct of the Group's businesses, review of business plans and approval of annual budget;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Establishing a succession plan for Senior Management;
- Overseeing the development and implementation of Investor Relation's policy;
- Reviewing the adequacy and integrity of the management information and internal controls system of the Group;
- Promoting a culture of integrity throughout the Group's businesses, including setting the anti-bribery stance and managing corruption risks of the Group;
- Formulating corporate policies and strategies;

[1] Clauses 126 and 138 have been renumbered as Clauses 129 and 134 respectively following the change in the Company's Constitution approved at the 44th AGM held on 26 September 2019.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

The Board (Continued)

- Approving key matters such as quarterly financial results, audited financial statements as well as major investments and divestments, major acquisitions and disposals and major capital expenditure;
- Assessing on an annual basis the effectiveness of the Board, Board Committees, individual Directors and Senior Management;
- Reviewing the terms of office and performance of the Board Committees and each of its members in accordance with their respective terms of office.

Board Activities in the Financial Year Ended 30 April 2020 and Future Priorities

The following is a summary of key matters addressed by the Board either directly or via its respective Board Committees in FY2020 up to the date of this Report: -

FOCUS AREA	ACTIVITIES
Strategic Plans and Sustainability	• Established the Anti-Bribery Framework and conducted Corporate Liability Provision workshops attended by the Directors, Head of Companies, Departmental heads and supporting staff. • Reviewed the KPI methodology for Executive Directors and Senior Management. • Reviewed and approved the Group's business plan and strategies and Budget for FY2020. • Reviewed the Sustainability strategies & policies and updated the status of key sustainability matters of the Group. • Assessed the impact of COVID-19 to the Group's business operations and put in place the relevant Standard Operating Procedures across the business divisions.
Governance & Financial Reporting	• Reviewed the composition and skills of the Board and Board Committees, the performance and effectiveness of the Board, Board Committees and individual Directors. • Reviewed and approved the appointment to fill the casual vacancy in the Audit Committee. • Reviewed and approved the reconstitution of the Remuneration Committee, Nominating Committee and Risk Management Committee. • Reviewed and approved the annual report, quarterly results and audited financial statements. • Approved dividend payments and reviewed the solvency position of the Company.
Risk Management & Internal Control	• Reviewed principal business risks and ensured the implementation of mitigating measures and internal controls. • Reviewed internal audit findings and management responses. • Reviewed and approved the Statement on Risk Management and Internal Control for inclusion in the Annual Report. • Reviewed the reports of the External Auditors.

Looking ahead to Financial Year Ending 30 April 2021: -

In the current financial year, the Board will: -

- Focus on strategies to ensure that the Group's business will be resilient and sustainable for the medium and long term;
- Drive a culture that prioritises compliance, internal control, risk management practices and sustainability governance to build a strong and resilient organisation;
- Intensify digital transformation strategies to achieve revenue growth and cost optimisation.

Succession Planning

The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of personnel through mentoring, training and job rotation for high level management positions that become available due to retirement, resignation, death or disability and new business opportunities.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

The Chairman

Mr. Tan Kai Hee is the Chairman of the Group who is responsible for ensuring the smooth and effective functioning of the Board. His duties include providing leadership to the Board, ensuring that the Board carries out its responsibilities in the best interest of the Group and that all the key issues are discussed in a timely manner. The Chairman is also tasked to facilitate active discussion and participation by all Directors and ensure that sufficient time is allocated to discuss all relevant issues at Board meetings.

Company Secretaries

The Company Secretaries are members of the Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA). They are competent in carrying out their work and play supporting and advisory roles to the Board. They ensure adherence and compliance to the procedures and regulatory requirements from time to time. They also ensure that meetings are properly convened and deliberations at meetings are accurately captured and minuted.

Board Charter

To enhance accountability, the Board Charter which clearly sets out the roles, functions, composition, operation and processes of the Board was developed and replaced the Directors Handbook which was established in 2010. The Board Charter clearly sets out the roles and responsibilities of the Board and Board Committees, function of the Board and those delegated to Management, the processes and procedures for convening their meetings and the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company. The Board Charter will be periodically reviewed and updated to take into consideration the needs of the Company as well as any development in relevant rules, regulations and laws that may impact the discharge of the Board's duties and responsibilities.

The Board Charter spells out the governance structure, authority and reserved matters for the Board whilst that for the respective Board Committees is spelt out in their respective terms of reference. The Board Charter was updated and enhanced in May 2020 to include the Anti-Bribery Framework. Accordingly, the Terms of Reference of Audit Committee and Risk Management Committee were also updated with the inclusion of their delegated roles respectively.

The Board Charter, Terms of Reference of Audit Committee, Nominating Committee and Remuneration Committee are available on the Company's website at www.hai-o.com.my under the Investor Relations section.

Access to Information and advice

The Board is given the meetings schedule a year ahead at the start of each calendar year so that the Directors could plan ahead to allocate time for their attendance of such meetings.

Notice of meetings set out the agenda and accompanied by the relevant Board papers are given to the Directors with sufficient time to enable the Directors to review, seek additional information or clarification on the matters to be deliberated at Board meetings.

The Board meets at least once every three (3) months. During the financial year ended 30 April 2020, the Board met five (5) times with an average attendance record of 96%. Senior Management staff were invited to attend the Board meetings to provide the Board with operational, management and financial details. The details of Directors' attendance during the financial year ended 30 April 2020 are set out on page 94 of this Annual Report.

The Chairman of the respective Board Committees are given time under a separate Agenda at each Board Meeting following their respective meetings to brief the Board on salient matters deliberated at such Committee meetings and if necessary, recommend to the Board actions to be taken.

The Board has unrestricted access to all staff for any information pertaining to the Group's affairs. In addition, the Board has access to the advice and services of the Company Secretaries who are responsible in ensuring that Board meeting procedures are followed and that applicable rules and regulations are being complied with. The Board may also seek independent professional advice at the expense of the Company as they deem necessary in furtherance of their duties. Any Director who wishes to seek independent professional advice in the course of discharging his/her duties may raise the request during Board meetings or convey the request through key Senior Management or the Company Secretaries for consideration of the Board at a Board meeting to be held.

In addition, the Board is also briefed and updated on the latest amendment on the relevant regulatory requirements from time to time at Board meetings by the Company Secretaries.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Time Commitment and Protocols for accepting new directorship

The Board meets at least quarterly with additional meetings convened as and when necessary. Board meetings for each financial year are scheduled in advance to enable the Directors to allocate time for such meetings.

The Board obtains this commitment from Directors at the time of appointment and this is assessed by the Nominating Committee annually. In any circumstances, the Directors must not hold more than five (5) directorships in public listed companies in accordance with the Main Market Listing Requirements of Bursa Securities ("MMLR").

Intended Outcome 3.0

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Code of Ethics, Conduct of Directors and Whistle-Blowing Policy

The Board is committed to maintain a corporate culture which engenders ethical conduct. The Directors observe the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my and the Company's website at www.hai-o.com.my. The Code of Ethics provides guidance to the Directors of the Company in performing their duties as it aims to establish a standard of ethical behaviour based on trustworthiness and values as well as uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administration of a company.

The Board is also guided by the new Guidelines on Conduct of Directors of Listed Issuers and Their Subsidiaries ("Guidelines") issued by Securities Commission ("SC") on 30 July 2020 in discharging their fiduciary duties. The Guidelines set out guidance on duties and responsibilities of boards in company group structures and requirements for the establishment of a group-wide framework to enable, among others, oversight of the group performance and the implementation of corporate governance policies. The Guidelines is available at the SC's website at www.sc.com.my.

The Group has also established an internal policy which is formalised through the Company's Code of Ethics and Business Conduct ("Business Code"). The employees of the Group are required to adhere to the principles and practices outlined in the Business Code in performing their duties and responsibilities. The Internal Business Code is available on our internal portal which is accessible by all directors and employees.

The Company has adopted a Whistle-Blowing Policy which is disseminated to employees on the Company's internal portal. The Whistle-Blowing Policy which states the appropriate communication and feedback channels to facilitate whistle-blowing can also be accessed at the Company's website at www.hai-o.com.my.

The Whistle-Blowing Policy is reviewed by the Company periodically or at least once in three years.

Part II – Board Composition

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Our Board has nine (9) members, comprising three (3) Executive Directors and six (6) Independent Non-Executive Directors. This complies with Paragraph 15.02 of the MMLR that requires at least one-third (1/3) of the Board to be Independent Directors as well as Practice 4.1 of the MCCG that requires at least half of the board to comprise of independent directors. In the event of any vacancy in the Board of Directors resulting in non-compliance with Para 15.02(3) of the MMLR, the Company must fill the vacancy within 3 months. Currently, 67% of our directors are independent while the female representation is 22% with two women directors.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

The Board recognises the importance of independence and objectivity in the decision-making process. The Independent Non-Executive Directors do not participate in the day-to-day management of the Group. They play a significant role in providing unbiased and independent views, advices and decisions while taking into account the interest of relevant stakeholders including minority shareholders of the Company.

The Board is aware of the good practice that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years' tenure. Although there is no fixed-term limit for Independent Directors of the Company, the Board may, with the recommendation of the Nominating Committee, seek shareholders' approval at general meeting if the Board intends to retain the Director as an Independent Director after the respective Independent Director has served a cumulative term of nine (9) years.

The Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by their tenure of service. Their long service should not affect their independence as they are independent minded and can continue to provide the necessary check and balance in the best interest of the Company. If the Independent Director(s) who have served more than nine years is/are able to contribute their expertise and skills towards the Company to attain greater heights, he/she should remain as Independent Non-Executive Director(s) of the Company as the intended outcome is achieved as they are able to make objective decision in the best interest of the Group taking into account the diverse perspectives and insights.

As an annual practice, all the Independent Non-Executive Directors have provided their annual confirmations of independence to the Board based on the Company's criteria of assessing independence in line with the definition of "independent directors" prescribed by the MMLR.

The Board had assessed and concluded that all the Independent Non-Executive Directors of the Company, namely, Tan Kim Siong, Soon Eng Sing, Chia Kuo Wui, Tan Beng Ling, Professor Hajjah Ruhanas Binti Harun and Ng Chek Yong have demonstrated independence in their conduct and behaviour which are essential indicators, and that each of them is independent of the Company's management and free from any business or other relationships which could interfere with the exercise of their independent judgement or the ability to act in the best interest of the Company.

The positions of the Group Executive Chairman and Group Managing Director are held by different individuals. There is also a clear distinction of responsibilities between the Group Executive Chairman and the Group Managing Director to maintain a balance of authority and accountability. The Group Executive Chairman provides overall leadership to the Board and is primarily responsible for the orderly conduct and function of the Board to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates the discussion. The Group Managing Director is principally responsible to implement and execute corporate strategies, policies and decisions adopted by the Board as well as to oversee the overall business operations.

The Board's composition represents a mix of knowledge, skills and expertise relevant to the activities of the Group. A brief profile of each Director is presented on pages 8 to 12.

Nominating Committee

The Board has delegated to the Nominating Committee the responsibility to establish, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors, including the assessment on the effectiveness of the Board as a whole, the performance of each individual Director and the Board Committees, including the term of office and performance of the Audit Committee, Risk Management Committee, Remuneration Committee and its members on an annual basis. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are properly documented.

The Board had set up a Nominating Committee on 18 December 2001. The Nominating Committee was reconstituted on 1 July 2020 and currently comprises exclusively of Independent Non-Executive Directors. The members are as follows: -

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Nominating Committee (Continued)

Name	Directorship	No. of Meetings Attended in FY2020
Chairman:		
Ng Chek Yong *(appointed as Chairman and member on 1 July 2020)*	Senior Independent Non-Executive Director	-
Chow Kee Kan @ Chow Tuck Kwan *(ceased to be Chairman and member on 4 May 2020)*	Senior Independent Non-Executive Director	1/1
Members:		
Soon Eng Sing	Independent Non-Executive Director	1/1
Professor Hajjah Ruhanas Binti Harun *(appointed as a member on 1 July 2020)*	Independent Non-Executive Director	-
Chia Kuo Wui *(ceased to be a member on 1 July 2020)*	Independent Non-Executive Director	1/1

The Chairman of the Nominating Committee, Ng Chek Yong, was designated as the Senior Independent Non-Executive Director on 1 July 2020. The role of the Senior Independent Non-Executive Director, amongst others, includes taking the lead of succession planning, recommending the appointment of board and committee members, annual reviewing of board and board committees effectiveness, and assessment of the performance of each individual Director. The Senior Independent Non-Executive Director is also the point of contact for shareholders to convey their concerns. The term of reference of the Nominating Committee was updated and enhanced in August 2018 and is available at our website www.hai-o.com.my.

The Nominating Committee has developed criteria for the assessment of the Independent Directors annually. The Nominating Committee also assesses the training needs of Directors for continuous education purpose, evaluates expected time commitment of the Directors and establishes protocols for the Board to accept new directorships.

The Nominating Committee meets at least once a year with additional meetings to be convened, if necessary. During the financial year under review, the Nominating Committee met once to carry out the following key activities:

a) reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
b) evaluated the performance and effectiveness of the Board and each individual Director;
c) assessed the independence of the Independent Directors;
d) evaluated the performance and effectiveness of the Audit Committee, Remuneration Committee, Risk Management Committee and each of its members respectively;
e) identified the training needs of Directors for continuous education;
f) assessed and recommended to the Board the re-election of the Directors who are due for retirement pursuant to Clauses 102 and 109 [2] of the Company's Constitution to be tabled to the shareholders for approval at the forthcoming AGM.

In compliance with the Constitution of the Company, one third (1/3) of the directors shall retire by rotation at each AGM and that a director who is appointed during the year shall retire at the next AGM. The Constitution further provides that all Directors shall retire from office at least once in every three (3) years.

Subsequent to the financial year under review, the Nominating Committee recommended the reconstitution of the Remuneration Committee, Nominating Committee, Audit Committee and Risk Management Committee following the resignation of Chow Kee Kan @ Chow Tuck Kwan as the Senior Independent Non-Executive Director of the Company. The Nominating Committee, having considered the MMLR requirements, the qualification and experience of Chia Kuo Wui ("Mr. Chia"), recommended Mr. Chia to fill the casual vacancy of the Audit Committee with effect from 1 July 2020.

[2] *Clauses 102 and 109 have been renumbered as Clauses 119 and 97 respectively following the change in the Company's Constitution approved at the 44th AGM held on 26 September 2019.*

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Board Nomination and Election Process of Director(s)

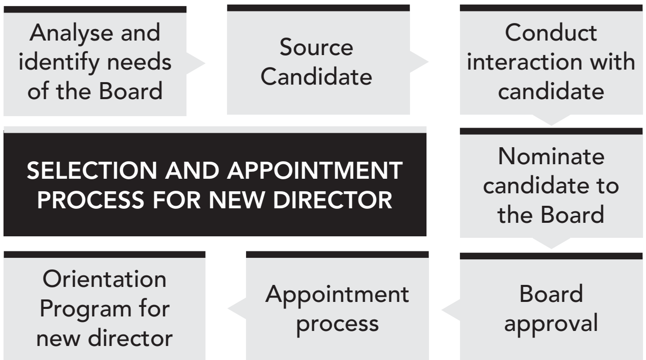
The Nominating Committee is responsible to recommend candidates to the Board to fill vacancy arising from resignation, retirement or other reasons, or if there is a need to appoint additional directors with the required skill or profession to the Board in order to close the competency gap in the Board as identified by the Nominating Committee. Upon receipt of the proposal, the Nominating Committee is responsible to conduct an assessment and evaluation of the proposed candidate. Upon completion of the assessment and evaluation of the proposed candidate, the Nominating Committee would make its recommendation to the Board.

Based on the recommendation of the Nominating Committee, the Board would evaluate and decide on the appointment of the proposed candidate.

Members of the Nominating Committee would meet with potential candidates for the position of director to assess their suitability based on a prescribed set of criteria as set out in the Terms of Reference of the Nominating Committee. Potential candidates are required to declare and confirm in writing, amongst others, his/her time commitment, current directorships, that he/she is not an undischarged bankrupt, or is involved in any court proceedings in connection with the promotion, formation or management of a corporation involving fraud or dishonesty punishable on conviction with imprisonment or is subject to any investigations by any regulatory authorities under any legislations. Furthermore, candidates being considered for the position of independent directors are required to declare and confirm their independence based on the criteria set out in the MMLR.

Management would assist the new directors to familiarise themselves with the Group's structure and businesses by providing the directors with relevant information about the Group. New directors are also encouraged to undertake site visits and to meet with key senior executives.

The selection and appointment process for new director(s) is as follows: -



The Group does not practice discrimination in any form, whether based on age, gender, ethnicity or religion throughout the organisation. This includes the selection of Board members and Senior Management. In designing the Board Composition, the Group believes that it is of utmost importance that the Board comprises the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and is able to discharge its duties in the best interests of the Company and shareholders.

The Board is open to utilise independent sources in identifying suitably qualified candidates, where necessary.

Changes in Board Committees

Subsequent to the financial year under review, the Board has reviewed the composition of the respective Board Committees and evaluated the gap that is required to meet the recommended practices by the MCCG. The Audit Committee, Remuneration Committee, Nominating Committee and Risk Management Committee were reconstituted on 1 July 2020 after the resignation of Chow Kee Kan @ Chow Tuck Kwan from the Board.

The Audit Committee, Remuneration Committee, Nominating Committee and Risk Management Committee were reconstituted with the appointments of Chia Kuo Wui as a new member of the Audit Committee, Ng Chek Yong as the Chairman of the Nominating Committee, Professor Hajjah Ruhanas Binti Harun as a new member of the Nominating Committee, Tan Beng Ling as a new member of the Remuneration Committee and the re-designation of Hew Von Kin as the Chairman of the Risk Management Committee, all effective from 1 July 2020.

Directors' Training

The Board acknowledges that continuous education is essential for its members to gain insight into the state of economy, technological advances, regulatory updates and management strategies.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Directors' Training (Continued)

The following are the training programmes, seminars, workshops and briefings attended by Directors during the financial year ended 30 April 2020: -

No.	Topics	TKH	TKK	HVK	CKW	TKS	SES	TBL	Hajjah Ruhanas	NCY
1.	Strategic Thinking and Business Planning	√	√	√	√					
2.	The Code of Advertising Practice			√						
3.	Mandatory Accreditation Programme (MAP)									√
4.	The Cooler Earth Sustainability Summit							√		
5.	ICDM International Directors Summit 2019: The Trust Compass: Resetting the Course						√			
6.	Corporate Governance and Anti-Corruption		√		√	√				
7.	Tax Impact of 2020 Budget on Businesses			√						
8.	The Securities Commission Malaysia's (SC) Audit Oversight Board (AOB) Conversation with Audit Committee					√		√		
9.	New Trademarks 2019			√						
10.	Corporate Liability Provision			√						
11.	International Conference of Entrepreneurship, Management and Social Sciences.								√	
12.	International Conference on Business, Information, Tourism & Economics								√	
13.	The impact of COVID-19 on China's economy								√	

Note:

(i) TKH (Tan Kai Hee), TKK (Tan Keng Kang), HVK (Hew Von Kin), CKW (Chia Kuo Wui), TKS (Tan Kim Siong), SES (Soon Eng Sing), TBL (Tan Beng Ling), Hajjah Ruhanas (Hajjah Ruhanas Binti Harun), NCY (Ng Chek Yong)

(ii) excludes Chow Kee Kan @ Chow Tuck Kwan who resigned on 4 May 2020.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Directors' Training (Continued)

The Directors are encouraged to participate in other relevant training programmes to further enhance their knowledge and skills in discharging their responsibilities more effectively.

Intended Outcome 5.0

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Evaluation and Assessment

The process of assessing the Directors is an on-going responsibility of the entire Board. The Board has put in place a formal evaluation process to annually assess the effectiveness of the Board as a whole and the Board Committees, as well as the contribution and performance of each individual Director, including the Independent Non-Executive Directors.

The criteria used, among others, for the annual assessment of individual Directors include an assessment of their roles, duties, responsibilities, competency, expertise and contribution. For the Board and Board Committees, the criteria used include among others, composition, structure, accountability, responsibilities, adequacy of information and processes. In general, the assessment covers: -

- Individual board member's understanding of the Company's mission and strategic plan;
- Board members' understanding and knowledge of the Group's business and performance and application of good governance principles to create sustainable shareholders' value;
- Board's independence in the process of decision making;
- In the case of Independent Non-Executive Directors, the directors' ability to discharge such responsibilities or functions as expected from Independent Non-Executive Directors and whether the director has any conflicts of interest with the Company.

In line with Practice 5.1 of the MCCG, the questionnaires on the annual assessment of the effectiveness of the Board and individual Directors also included, among others, the evaluation of their:

- willingness and ability to critically challenge and ask the right questions;
- character and integrity in dealing with potential conflicts of interest situation, if any;
- commitment to serve the Company; and
- confidence to stand up for a point of view.

In respect of the assessment for the financial year ended 30 April 2020 which was internally facilitated together with the external Company Secretary, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director is satisfactory. The Board was also satisfied that the Board's composition in terms of size, the balance between Executive, Non-Executive and Independent Directors and mix of skills was adequate.

Part III – Remuneration

Intended Outcome 6.0

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Remuneration Committee

The Remuneration Committee is principally responsible for setting the policy framework and making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors and key Senior Management. The term of reference of the Remuneration Committee which includes the Remuneration Policies was updated and enhanced in August 2018 and is available at our website www.hai-o.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Remuneration Committee (Continued)

The remuneration packages of the Executive Directors and key Senior Management have been structured to attract and retain Directors and key Senior Management of the right calibre to manage the Group effectively. The recommendation of remuneration of the Executive Directors and key Senior Management is measured by, amongst others, the Directors' contribution, commitment, responsibilities and expertise while rewards are linked to the Company's and individual's performance which comprise financial, non-financial and operational targets. The Executive Directors excused themselves from deliberation on their own remuneration at Board meetings.

In the case of Non-Executive Directors, the remuneration philosophy is to establish a remuneration structure that commensurates with the seniority, experience, contribution, level of responsibilities and representation in Board Committees by a particular Non-Executive Director. The remuneration and benefits payable to the Non-Executive Directors would be tabled to the shareholders for approval at the forthcoming AGM.

The Remuneration Committee was reconstituted on 1 July 2020. Presently, it comprises wholly Non-Executive Directors, all of whom are Independent.

Name	Directorship	No. of Meetings Attended in FY2020
Chairman:		
Soon Eng Sing	Independent Non-Executive Director	2/2
Members:		
Chia Kuo Wui	Independent Non-Executive Director	2/2
Tan Beng Ling *(appointed as a member on 1 July 2020)*	Independent Non-Executive Director	-
Chow Kee Kan @ Chow Tuck Kwan *(ceased to be a member on 4 May 2020)*	Senior Independent Non-Executive Director	2/2

During the financial year ended 30 April 2020, the Remuneration Committee held two (2) meetings. The Remuneration Committee has reviewed the remuneration packages of the Executive Directors and key Senior Management staff based on Key Performance Indicators and performance appraisal carried out by the Group Managing Director before making its recommendation to the Board for its consideration and approval.

The respective Directors abstained from deliberation and voting on their own remuneration at the Board of Directors Meeting.

The Directors' fees, both Executive and Non-Executive, would be tabled to the shareholders for approval at the forthcoming AGM.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Remuneration Committee (Continued)

Directors' Remuneration

The details of the remuneration of Directors for the financial year ended 30 April 2020 are as follows:

	Directors' Fees (RM)	Salaries, Bonuses, Incentives (RM)	Other Emoluments[N1] (RM)	Benefits-In-Kind[N2] (RM)	Total (RM)
Company					
Executive Directors					
Tan Kai Hee	23,000	616,000	5,593	31,150	675,743
Tan Keng Kang	23,000	482,000	65,883	8,800	579,683
Hew Von Kin	23,000	786,000	99,003	23,950	931,953
Sub-Total	**69,000**	**1,884,000**	**170,479**	**63,900**	**2,187,379**
Non-Executive Directors					
Ng Chek Yong	23,000	59,839	8,987	-	91,826
Tan Beng Ling	23,000	69,000	18,353	-	110,353
Soon Eng Sing	23,000	72,000	14,563	-	109,563
Chia Kuo Wui	23,000	75,000	16,923	-	114,923
Tan Kim Siong	23,000	60,000	16,723	-	99,723
Hajjah Ruhanas Binti Harun	23,000	60,000	6,993	-	89,993
Chow Kee Kan @ Chow Tuck Kwan[#]	23,000	87,000	10,073	-	120,073
Sub-Total	**161,000**	**482,839**	**92,615**	**-**	**736,454**
Grand Total	**230,000**	**2,366,839**	**263,094**	**63,900**	**2,923,833**
Group					
Executive Directors					
Tan Kai Hee	34,000	1,390,000	6,778	31,150	1,461,928
Tan Keng Kang	49,000	864,550	102,829	8,800	1,025,179
Hew Von Kin	27,000	841,000	106,329	23,950	998,279
Sub-Total	**110,000**	**3,095,550**	**215,936**	**63,900**	**3,485,386**
Non-Executive Directors					
Ng Chek Yong	23,000	59,839	8,987	-	91,826
Tan Beng Ling	23,000	69,000	18,353	-	110,353
Soon Eng Sing	23,000	72,000	14,563	-	109,563
Chia Kuo Wui	28,000	75,000	16,923	-	119,923
Tan Kim Siong	23,000	60,000	16,723	-	99,723
Hajjah Ruhanas Binti Harun	23,000	60,000	6,993	-	89,993
Chow Kee Kan @ Chow Tuck Kwan[#]	23,000	87,000	10,073	-	120,073
Sub-Total	**166,000**	**482,839**	**92,615**	**-**	**741,454**
Grand Total	**276,000**	**3,578,389**	**308,551**	**63,900**	**4,226,840**

N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.

N2 Benefits-in-Kind comprised provision of Company's motor vehicle, driver and others.

 # Non-Executive Director who resigned on 4 May 2020.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Directors' Remuneration (Continued)

Saved as disclosed above, there were no other remuneration paid for services rendered by any Directors to the Company and the Group for the financial year ended 30 April 2020.

The Directors who are shareholders of the Company had abstained from voting at the previous 44th AGM and shall abstain from voting at the forthcoming 45th AGM on resolutions pertaining to their Directors' fees, benefits and their respective re-election as Directors.

The aggregate remuneration of the Senior Management (excluding Group Executive Directors) for the financial year ended 30 April 2020, is as follows: -

Group Level	Salaries, Bonuses, Incentives (RM)	Other Emoluments[N1] (RM)	Benefits-In-Kind[N2] (RM)	Total (RM)
Senior Management*	906,817	144,543	11,100	1,062,460

* *Comprised three Senior Management staff, including one who retired on 1 April 2020.*
N1 Other Emoluments comprised allowances, Ex-Gratia, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.
N2 Benefits-in-Kind comprised provision of Company's motor vehicle and others.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

Intended Outcome 8.0

There is an effective and independent Audit Committee. The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

The Audit Committee comprises wholly of Non-Executive Directors, all of whom are Independent. The composition of the Audit Committee, including its roles and responsibilities, is set out on pages 64 to 69 of this Annual Report.

The Chairman of the Audit Committee and the Chairman of the Board are held by different persons.

All members of the Audit Committee are financially literate as they keep themselves abreast with the latest developments in accounting and auditing standards and the impact to the Group through briefings by Management and external auditors.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

Assessment of suitability and independence of External Auditors

Through the Audit Committee, the Board has established a transparent and professional relationship with the Company's internal and external auditors.

The Company's independent external auditors fill an essential role for the shareholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements. In the course of their audit of the Group's financial statements, the external auditors would highlight to the Audit Committee matters that require the Board's attention. Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and report and presenting their comments on the audited financial statements. At least twice a year, meetings are held without the presence of the management of the Company to ensure that the external auditors can freely discuss and express their opinions on any matter to the Audit Committee, and the Audit Committee can be sufficiently assured that Management has fully provided all relevant information and responded to all queries from the external auditors.

In addition, the external auditors are invited to attend the AGM of the Company and are required to be available to answer shareholders' questions on the conduct of the statutory audit and contents of their audit report.

The Audit Committee shall carry out assessment on the performance, suitability and independence of the external auditors annually covering among others, the following areas:
(a) Service quality;
(b) Sufficiency of resources;
(c) Communication with the Management; and
(d) Independence, Objectivity and Professionalism.

The Audit Committee has also put in place a policy and revised its terms of reference to include a cooling-off period of at least two (2) years before a former key audit partner could be appointed as a member of the Audit Committee to safeguard the independence of the audit of the financial statements.

The Audit Committee has also taken note of the non-audit services and the fees charged by the external auditors. The policy on audit and non-audit services is guided by the following principles: -

(a) the external auditors may provide audit and non-audit related services that, while outside the scope of the statutory audit, are consistent with the role of auditors;
(b) the external auditors should not provide services that are perceived to be materially in conflict with their role as auditors. However, the external auditors may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditors; and
(c) exceptions may be made to the policy where the variation is in the interest of Hai-O and arrangements are put in place to preserve the integrity of the external audit process. The Board must specifically approve such exceptions.

Before appointing the external auditors to undertake non-audit services, considerations should be given to whether this would create a threat to the external auditors' independence or objectivity. The external auditors should not be appointed unless appropriate safeguards are present to eliminate or reduce the threat to an acceptable level. The external auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services.

The Audit Committee has assessed the independence of KPMG PLT as the External Auditors of the Company as well as reviewed the level of non-audit services rendered by them and after considering the quantum of the fee, which was not material as compared with the total audit fee paid to the external auditors, concluded and recommended to the Board that the provision of such services did not compromise the external auditors' independence and objectivity.

The External Auditors, KPMG PLT, have declared to the Audit Committee their independence in carrying out the audit for the Group and their compliance with relevant ethical requirements at the Audit Committee meeting. Having been satisfied with their performance, technical competency and audit independence, the Audit Committee recommended their fees and suitability for re-appointment to the Board.

The Audit Committee met with the External Auditors three (3) times at the Audit Committee meetings held on 24 June 2019, 18 July 2019 and 24 March 2020 during the financial year ended 30 April 2020. The Audit Committee has allocated two (2) discussion sessions with the External Auditors without the presence of the Executive Directors and Management at the meeting held on 24 June 2019 and 24 March 2020.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

Company's financial statements is a reliable source of information

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, as well as through quarterly announcements of its results to shareholders. These financial statements are drawn up in accordance with the Companies Act 2016, the MMLR, the International Financial Reporting Standards and the Financial Reporting Standards in Malaysia and are reviewed by the Audit Committee prior to approval by the Board. The annual financial statements are subject to audit by independent external auditors.

The Board, with the assistance of the Audit Committee, takes due care and reasonable steps to ensure that its quarterly and annual financial statements are presented in an accurate manner. The Audit Committee, when reviewing the financial statements, is also required, among others, to focus on significant matters highlighted in the financial statements and significant judgments, estimates or assumptions made by the Management.

The Board is responsible to ensure that financial statements of the Company give a true and fair view of the state of the Company and of the Group as at the end of the reporting period. Accordingly, the Board has prepared the responsibility statement pursuant to the MMLR as outlined on page 86 of this Annual Report.

Part II – Risk Management and Internal Control

Intended Outcome 9.0

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Intended Outcome 10.0

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Recognising the importance of risk management, the Risk Management Committee ("RMC") was established on 21 December 2011. The Board has formalised a structured risk management framework to determine the Company's level of risk tolerance and to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

The RMC was reconstituted on 1 July 2020. Presently, the RMC consists of four (4) members, three (3) of whom are Independent Non-Executive Directors and is in compliance with Practice 9.3 – Step Up of the MCCG which requires the Risk Management Committee to comprise a majority of independent directors.

Name	Directorship	No. of Meetings Attended in FY2020
Chairman:		
Hew Von Kin *(re-designated as Chairman on 1 July 2020)*	Group Executive Director cum Group Chief Financial Officer	2/2
Tan Keng Kang *(ceased to be the Chairman and member on 1 July 2020)*	Group Managing Director	2/2
Members:		
Chia Kuo Wui	Independent Non-Executive Director	2/2
Tan Beng Ling	Independent Non-Executive Director	2/2
Ng Chek Yong *(appointed as member on 1 August 2019)*	Senior Independent Non-Executive Director	1/1

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control. The system of internal control practised by the Hai-O Group spans across financial, operational and compliance aspects, particularly to safeguard the Hai-O Group's assets and hence shareholders' investments. The system of internal control, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Board has also established an independent internal audit function that reports directly to the Audit Committee. Currently, the Head of Group Internal Audit Department is supported by two (2) internal audit executives. They are independent from the operational activities of the Group and they do not hold management authority and responsibility over the operations covered in their scope of works.

The Head of Group Internal Audit Department, Ms. Wong Ngiik Moi, was appointed in March 2016. She is a member of the Institute of Internal Auditors Malaysia and holds a Degree in Accounting. She has extensive knowledge and working experience in the internal audit field with exposure to various industries. The scope of work covered by the internal audit function during the financial year under review is provided in the Statement on Risk Management and Internal Control contained in this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I - Communication with stakeholders

Intended Outcome 11.0

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Investor Relations

An Investor Relations Policy enables the Company to communicate effectively with its shareholders, prospective investors, fund managers, investment analysts and public generally with the intention of giving them a clear picture of the Group's performance and operations.

The shareholders and other stakeholders are kept informed of all major developments and performance of the Group through timely quarterly results announcements and various disclosure and announcements made to Bursa Securities through Bursa Link, press releases, the Company's annual report and circular to shareholders, if applicable.

The Company periodically organises briefings and meetings with analysts and fund managers and also facilitates communications through tele-conference to give stakeholders a better understanding of the businesses and developments of the Group. The corporate presentations and interim financial highlights are made available at the Company's website www.hai-o.com.my.

To maintain a high level of transparency and to effectively address any issues or concerns, the Company maintains a dedicated electronic mail, ir@hai-o.com.my to which stakeholders can direct their queries for investor relations purpose.

Corporate Disclosure Policy & Procedure

The Group recognises the importance of transparency and accountability in the disclosure of the Group's business activities to its shareholders and investors. The Board has adopted a Corporate Disclosure Policy and Procedure for the Group which sets out, among others, the scope and extent of disclosure by the various parties within the organisation, timeliness of disclosure as well as assessment of materiality and if it is reasonably expected to have a material effect on the price, value or market activity of any of the Company's securities; or the decision of a member of the Company or an investor in determining his choice of action.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

Leverage on Information Technology for effective dissemination of Information

The Hai-O Group has also leveraged on information technology for broader and effective dissemination of information and has established an Investor Relations Section within the Hai-O Corporate website to provide all relevant information including corporate governance, public announcements, annual reports, financial highlights, corporate information, corporate calendar, dividends history, notice of general meetings, minutes of annual general meeting and others.

Part II - Conduct of General Meetings

Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Annual General Meeting ("AGM")

The Board recognises the importance of keeping shareholders, stakeholders and the general public informed on the Group's business, performance and corporate developments. The AGM remains the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed and the business operations of the Group.

The date of AGM of the Company is normally scheduled annually in September or October and the Directors are notified at the beginning of the calendar year of the scheduled meeting to ensure that all Directors are present to provide meaningful response to questions addressed to them. The Directors together with the Senior Management team, external auditors and internal auditors would be present at general meeting(s) to answer queries from the shareholders who participate in the Question and Answer session. All Directors attended the 44th AGM held on 26 September 2019 except for Chow Kee Kan @ Chow Tuck Kwan who was attending his daughter's wedding ceremony overseas.

General Meetings are usually convened in the city of Kuala Lumpur and resolutions put forth are voted by the members via electronic voting to ensure accurate recording of votes. All resolutions will be put to vote by poll.

The Notice of AGM will be served to the shareholders of the Company at least 28 days prior to the meeting. The notice of AGM as contained in the Annual Report would be uploaded on the Company's website upon release to Bursa Securities.

A summary of the minutes of general meeting(s) including the Question and Answer session is made available to the shareholders at the Company's website at www.hai-o.com.my.

RESPONSIBILITY STATEMENT BY THE BOARD

The Directors are responsible in ensuring that the annual financial statements of the Group are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of Companies Act 2016 and the MMLR.

They are to ensure that the annual financial statements of the Group give a true and fair view of the state of affairs of the Group at the end of the financial year and the results and cash flows for the year then ended.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies on going concern basis and applied them consistently;
- made judgements, estimates and assumptions that are prudent and reasonable;
- ensured that applicable approved accounting standards are complied with; and
- put in-place an internal control system to ensure the financial statements are free from material misstatements, whether due to fraud or error.

The Directors have also taken reasonable steps to safeguard the assets of the Group as well as to prevent and detect other irregularities.

This CG Overview Statement was made in accordance with a resolution of the Board on 3 August 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors ("the Board") is committed to maintaining a sound internal control and risk management system and constantly reviewing the adequacy and effectiveness of the system. The Board is pleased to provide the following statement on the state of internal control of Hai-O Enterprise Berhad ("Company") and its subsidiaries ("Group") for the financial year ended 30 April 2020, which has been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

BOARD RESPONSIBILITY

The Board is committed to maintaining a sound system of risk management and internal control and proper management of risk throughout the operations of the Group in order to safeguard shareholders' investments and assets of the Group. The Board is responsible for determining the overall Group's level of risk tolerance and constantly review, assess and monitor the effectiveness and adequacy of the internal control system which has been embedded in all aspects of the Group's activities.

The risk management and internal control system is designed to identify, assess and manage principal risks that may hinder the Group from achieving its strategic goals and business objectives efficiently, effectively and economically instead of eliminating these risks.

The Board takes cognizance of the system's inherent limitations. Accordingly, the system is designed to manage and provide reasonable, rather than absolute assurance against the risk of failure, material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board has, through its Risk Management Committee ("RMC"), implemented an Enterprise Risk Management ("ERM") Framework throughout the Group to provide an integrated risk management infrastructure to identify, respond to and monitor the strategic key enterprise risks in a systematic and on-going approach.

Roles and Responsibilities under the Risk Management Framework

Authority Level	Roles and Responsibilities
Board of Directors	• Approves and oversees the ERM Framework and internal control system (incorporating Policies and Scope), including changes or additions. • Responsible for determining the overall Group's level of risk tolerance and review, assess and monitor the effectiveness and adequacy of the risk management and internal control system.
Audit Committee ("AC") and Risk Management Committee ("RMC")	• Develop & implement the ERM Framework and internal control system. • Review the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system.
Executive Risk Committee ("ERC")	• Assists the RMC in overseeing risk management through its ERM framework. • Ensures that Management and Risk Owners maintain an effective process to identify, evaluate and manage risks. • Provide guidance and advice with respect to risk management and monitor risks across the key risk areas.
Management and Risk Owners of Operating Business Units	• Identify and prioritise risks and participate in the Group's risk identification and assessment process. • Ensure risks are identified, managed and regularly assessed and provide regular updates on risks as well as key indicators measuring the extent of the risks. • Document the controls and processes to manage the risks of their respective functional areas.

RISK MANAGEMENT FRAMEWORK (CONTINUED)

The AC and RMC assist the Board to review the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system.

The major business units are required to document the controls and processes to manage the risks of their functional areas and to assess the effectiveness of the system and be sensitive and responsive to any changes to prevent and/or mitigate or minimize any damages to such functional areas.

The RMC was reconstituted on 1 July 2020 and is currently chaired by the Group Executive Director cum Group Chief Financial Officer and its members consist of three (3) Independent Non-Executive Directors as follows:

Name	Directorship	No. of Meetings Attended in FY2020
Chairman:		
Hew Von Kin *(re-designated as Chairman on 1 July 2020)*	Group Executive Director cum Group Chief Financial Officer	2/2
Tan Keng Kang *(ceased to be the Chairman and member on 1 July 2020)*	Group Managing Director	2/2
Members:		
Chia Kuo Wui	Independent Non-Executive Director	2/2
Tan Beng Ling	Independent Non-Executive Director	2/2
Ng Chek Yong *(appointed as a member on 1 August 2019)*	Senior Independent Non-Executive Director	1/1

The ERC is led by the Group Executive Director and its members comprise of divisional or departmental heads. The ERC assists the RMC in overseeing risk management through its ERM framework.

The RMC may invite ERC members or any key risk owners to attend the RMC meeting(s), if required. During the financial year ended 30 April 2020, the RMC had reviewed the risk registers and its status update; deliberated on the key and new risks identified and kept track of management actions or measures taken or proposed to be taken within the stipulated timeline at the two (2) RMC meetings held on 30 May 2019 and 17 December 2019 respectively. The Chairman of the RMC reports and briefs the Board under a separate agenda at each Board Meeting following their respective meetings on the salient matters deliberated, including among others, the adequacy of the internal control system in managing the risks, the monitoring process carried out by the Management and the RMC. The Company Secretary is the secretary of the RMC.

The Board has put in place an ERM process for Hai-O Enterprise Berhad and its principal subsidiaries, namely, Sahajidah Hai-O Marketing Sdn. Bhd., Hai-O Raya Bhd. and SG Global Biotech Sdn. Bhd..

The Group's Enterprise Risk Management Process

The Group's ERM Process comprises four main phases, namely, Risk Assessment, Risk Impact Analysis, Formulation of Action Plan and Risk Monitoring and Review.

The Group's Enterprise Risk Management Process (Continued)

Risk Assessment

Risk assessments are conducted for each key business function, activity and process to ensure that they are aligned with the Group's objectives and goals. The identification and management of risk is a continuous process linked to the achievement of the objectives. Any risks arising from these assessments will be identified, analysed and reported to the appropriate functional units.

Risk Impact Analysis

Each risk identified is evaluated and given a gross risk rating based on its impact and probability of occurrence and is evaluated as low, medium or high. The level of residual risk is determined after identifying and evaluating the effectiveness of existing controls and mitigating measures taken. All risks identified are evaluated based on appropriate qualitative and quantitative criteria through discussion with the Management and Risk Owners of the Operating Business Units.

Formulation of Action Plan

The risk register is compiled to facilitate the identification, assessment and on-going monitoring of risks. Action plans and mitigating controls are determined for all the risks identified, evaluated and captured in the risk registers. The risk profiles, control procedures and status of action plans are reviewed on a regular basis by the ERC together with the Operating Business Unit Heads.

Risk Monitoring and Review

For each of the risks identified, the risk owner is responsible to ensure that the appropriate risk response actions are carried out in a timely manner. The respective risk owners are required to put in place the management actions and control measures, coordinate and communicate with the Risk Coordinator and the Group Internal Auditors to update the Risk Scorecard from time to time. The Internal Auditors will perform an independent review on the risk and internal control areas and report to the AC on a quarterly basis.

Key Elements of Internal Control

The Group's system of internal control comprises the following key elements:

1) An on-going process and framework for identifying, evaluating and managing significant risks faced by the Group which is in place for the year under review and up to the date of approval of this statement for inclusion in the annual report and reviewed by the Directors.

2) Clearly documented risk management principles, standard operating procedures and policies are regularly reviewed to meet operational needs and clearly communicated to employees.

3) The Board conducts quarterly reviews of the Group's performance and financial position at its meetings to ensure that the Group's overall objectives are achieved. At business units and divisional levels, the Management team holds meetings on a regular basis to discuss, review, evaluate and resolve operational, financial and key management issues.

4) Each business unit is required to prepare annual budgets to be tabled to the Board for approval. Scheduled operational and management meetings are held to discuss and review business plans, budgets, financial and operational performances of the business units.

5) The Code of Ethics and Business Conduct ("Code of Conduct") is implemented within the Group and each employee is contractually bound to abide by the Code of Conduct. This Code serves to guide employees to conduct themselves in the utmost professional manner in dealing with company matters.

6) A clearly defined delegation of responsibilities is set for Committees of the Board, the Management team and business operating units, including assigning appropriate authority levels to the various divisions of the business.

7) Insurance coverage and physical safeguards over major assets (property, plant and equipment, investment properties and inventories) are in place to ensure that the assets of the Group are adequately covered against any mishap that may result in material losses to the Group.

INTERNAL AUDIT FUNCTION

The Group Internal Audit Department ("IAD") provides an independent assessment on the adequacy, effectiveness and reliability of the Group's risk management processes and system of internal controls. The IAD reviews compliance with policies and procedures and advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The IAD also conducts a follow up review on the implementation status of action plans previously agreed by Management.

The internal audit plan for Group IAD is approved by the AC on an annual basis. The results of the audits and recommendations for improvement co-developed with Management are tabled at AC meetings for discussion and subsequent assessment. Key and significant risk issues will be escalated to the RMC for deliberation, followed by subsequent monitoring of management actions.

The key risk issues are reported to the Board by the Chairman of the RMC for further deliberation. These include risks at the macro, industry and company specific levels, such as regulatory and compliance risks; the state of the global and domestic economy and the associated risks on key divisions; market share risks; business plan implementation and execution risks; products price cutting issues; the impact of COVID-19 pandemic; business continuity strategies; risks on credit control and debts management; customers retention and expansion of youth market risks.

During the financial year under review, the Group IAD performed control assessment reviews and risk impact analysis on business operations of the Wholesale, Multi-Level Marketing, Retail and Manufacturing segments of the Group. The details of the audit scope and coverage are elaborated in the Audit Committee Report.

In addition to the above, the Group IAD conducted quarterly follow up reviews with the respective Heads of Business Units of the Wholesale, Multi-Level Marketing, Retail and Manufacturing segments on the implementation status based on audit recommendations made by the Group IAD.

The Group IAD has assessed the system of internal controls, where applicable, based on the principles of COSO Internal Controls – Integrated Framework ("COSO Framework"). The COSO principles outline five essential components of an effective internal control system, namely (i) Control Environment; (ii) Risk Assessment; (iii) Control Activities; (iv) Information and Communication; and (v) Monitoring. The areas of concerns or emphasis that require Management's immediate or specific attention and monitoring are tabulated in the Key Risk Listing for internal audit focus. Some weaknesses in internal control were identified for the year under review but these are not deemed significant and have not materially impacted the business or operations of the Group.

ANTI-BRIBERY FRAMEWORK

The Group is committed to conduct its businesses in a lawful and ethical manner and maintaining high standards of ethics and integrity. The RMC at its meeting held on 22 May 2020 deliberated and reviewed the proposed establishment of an Anti-Bribery Framework ("ABF") which was then recommended to the Board for adoption on 28 May 2020. The ABF sets out the Group's stance and adopts adequate procedures against bribery activities in its businesses regardless of the country of operation. The ABF was developed based on the five principles of the Ministerial Guidelines, "T.R.U.S.T":

T Top-level Commitment
R Risk Assessment
U Undertake control measures
S Systematic Review, Monitoring & Enforcement
T Training & Communication

The ABF, which comprises the following key policies and controls, has been put in place:

- Anti-Bribery Policy
- Whistle-Blowing Policy
- Code of Business Ethics
- Policy on Facilitation Payment
- Policy on gift, entertainment and hospitality
- Policy on Third-Party Travel
- Policy on Donation and Sponsorship
- Policy on Business Incentives
- Anti-Bribery Procedures for Managing Stakeholders

Anti-Bribery Policy

The Anti-Bribery Policy ("ABP") was established to set out the Company's expectations for internal and external parties working with, for and on behalf of the Group in upholding the Group's zero tolerance stance against bribery. Directors, Employees, Suppliers, Distributors, Business Associates, and any third parties working with, for or on behalf of the Group shall adhere to and observe the Group's anti-bribery stance and relevant provisions, policies, and procedures established by the Group. The Group treats any violation of ABP seriously and will take necessary actions, including, but not limited to, review of employment or appointment, disciplinary action, dismissal, cessation of business relationship, and reporting to the authorities, as is consistent with relevant laws and regulations.

The ABP shall be reviewed by the Company periodically or at least once in three years.

In providing leadership and top-level commitment to the Group's businesses in managing bribery risks, the respective responsibilities of the Group's governance bodies are as follows:

Governance Body	Key Responsibilities
Board of Directors ("Board")	• Promoting a culture of integrity throughout the Group, including setting the Group's anti-bribery stance and managing corruption risks of the Group. • Ensuring the Group's vision and long-term business strategy include consideration of ethical business practices. • Ensuring the establishment of an internal control system which provides reasonable assurance that the Group's bribery risks are managed.
Audit Committee ("AC")	• Reviewing audit matters pertaining to ABP, including ensuring the inclusion of ABP in the Group's internal audit scope, and reviewing the effectiveness of the Group's internal control system pertaining to ABP.

Governance Body	Key Responsibilities
Risk Management Committee ("RMC")	• Overseeing the establishment and maintenance of the Group's ABF including its implementation and performance. • Ensuring the Group identifies and manages its key bribery risks areas and reviewing the same. • Reviewing the implementation and performance of the Group's anti-bribery and anti-corruption controls to address key bribery risks.
Management (including Executive Risk Committee ("ERC"))	• Establishing, implementing, and maintaining the Group's ABF. • Reviewing the Bribery Risk Assessment annually to identify the Group's key bribery risk areas. • Reporting to the RMC any significant bribery risks. • Overseeing the establishment and effective implementation of the Group's anti-bribery and anti-corruption controls, and reporting their performance to the RMC.
Anti-Bribery Compliance and Support team ("ABCS"), which comprises Company Heads and Heads of Group Functional Departments	• Provides advice and guidance in relation to the Group's personnel and business associates in relation to the Group's ABF and its compliance. • Receives reports and reviews incidents and cases of attempted offer or solicitation of bribes as reported via the Group's internal reporting.
Internal Audit	• Assists the AC in its review of the design adequacy and operating effectiveness of the Group's internal controls in relation to ABF.

Bribery Risk Assessment

The Group has established a process for the identification, evaluation, and management of bribery risk areas ("Bribery Risk Management"), focusing on areas where the Group is exposed to a higher risk of bribery. The ERC is responsible for the conduct of the Group's Bribery Risk Management.

Bribery Risk Assessment Methodology

The scope of Bribery Risk Assessment is applicable to all the Group's business operations regardless of country of operations, including all subsidiaries and both active and passive bribery.

The Group's Bribery Risk Assessment approach adopts one that is similar to the Group's risk assessment process for its enterprise-wide risk management. An illustrative summary of the Bribery Risk Assessment approach is as follows:

Identify Bribery Risk

Assess Gross Risk Rating

Managing Bribery Risk-Internal Controls

Assess Net Risk Rating

During the financial year under review, the ERC conducted a Gap Assessment on the Group's current policies and procedures against the five principles of the Ministerial Guidelines "T.R.U.S.T". The five principles serve as reference points for setting out adequate procedures in relation to Section 17A, MACC Act, 2009. The areas of improvement were recommended during the course of risk assessment for ABF implementation. The Group's risk management and internal control system has been enhanced for managing the Group's bribery risks as part of the ABF.

The Group shall conduct a review of its Bribery Risk Assessment at least once a year.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has reviewed the adequacy and effectiveness of the systems of internal control and risk management that provide reasonable assurance to the Group in achieving its business objectives. The Board has received assurance from the Group Managing Director and Group Chief Financial Officer that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this statement. As the development of a sound system of internal control is an on-going process, the Board and the Management maintain an on-going commitment to ensure necessary actions have been taken to remedy significant weaknesses identified from reviews and continues to take appropriate measures to strengthen the risk management and internal control environment of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the financial year ended 30 April 2020, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement was approved by the Board on 3 August 2020.

ADDITIONAL CORPORATE DISCLOSURE

UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

AUDIT AND NON-AUDIT FEES

The fees payable to the external auditors, KPMG PLT in relation to the audit and non-audit services rendered to the Company and its subsidiaries for the financial year ended 30 April 2020 are as follows:

	The Company RM	The Group RM
Audit fees	101,000	348,800
Non-audit fees	15,000	15,000

MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts of the Company and its subsidiaries, involving Directors', Chief Executive and major shareholders' interests, still subsisting at the end of the financial year.

The Group Managing Director is the Chief Executive who oversees and is primarily responsible for the overall group business operations.

RECURRENT RELATED PARTY TRANSACTIONS

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 32 to the Financial Statements.

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The shareholders of the Company had at its Extraordinary General Meeting held on 15 March 2017 approved the establishment of an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares in Hai-O (excluding treasury shares) at any one time during the duration of the ESOS for eligible employees and directors of Hai-O and its subsidiaries (excluding subsidiaries which are dormant).

A total of 2,200,000 ESOS options was offered to the eligible employees and directors of Hai-O and its subsidiaries on 3 July 2017 in accordance with the terms of the ESOS By-Laws, of which 2,189,000 options were duly accepted during the Offer Period. The ESOS options granted to the Directors and Senior Management is 33.58% of the total ESOS options granted to-date. The details of ESOS options granted to the Director(s) are disclosed on page 98 of this Annual Report.

EMPLOYEES' SHARE OPTION SCHEME (ESOS) (CONTINUED)

During the financial year, there was no new ESOS options granted. The balance ESOS options for the financial year ended 30 April 2020 was 441,000 options. The changes noted during the financial year ended 30 April 2020 are as follows:

Date of offer	Exercise Price (RM)	No. of Options			
		Balance 01.05.2019	Exercised	Forfeited	Balance as at 30.04.2020
3 July 2017	RM3.63	501,000	-	(60,000)	441,000

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

There were five (5) Board of Directors' Meetings held during the financial year ended 30 April 2020. The details of attendance of the Directors are as follows: -

Name of Directors	Number of Board Meetings attended by Directors
Tan Kai Hee	5/5 meetings
Tan Keng Kang	5/5 meetings
Hew Von Kin	5/5 meetings
Ng Chek Yong	5/5 meetings
Tan Beng Ling	5/5 meetings
Soon Eng Sing	5/5 meetings
Chia Kuo Wui	5/5 meetings
Tan Kim Siong	5/5 meetings
Professor Hajjah Ruhanas Binti Harun	4/5 meetings
Chow Kee Kan @ Chow Tuck Kwan (resigned on 4 May 2020)	4/5 meetings

FAMILY RELATIONSHIP OF DIRECTORS AND /OR MAJOR SHAREHOLDERS

There is no family relationship among the Directors and / or major shareholders except that: -

- Mr. Tan Keng Kang and Madam Tan Keng Song are the son and daughter of Mr. Tan Kai Hee.
- Madam Phan Van Denh is the wife of Mr. Tan Keng Kang.

CONFLICT OF INTEREST WITH THE COMPANY

None of the Directors and Key Senior Management have any conflict of interest with the Company.

WHAT'S INSIDE

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 April 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the wholesaling and retailing of herbal medicines, healthcare products, wellness and beauty products, investment holding activities and property holding activities, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	32,576,454	44,812,633
Non-controlling interests	(257,330)	-
	32,319,124	44,812,633

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amounts of dividends paid by the Company were as follows:

i) In respect of the financial year ended 30 April 2019 as reported in the Directors' Report of that year:

- a final dividend of 9 sen per ordinary share totalling RM26,129,655 approved on 26 September 2019 and paid on 21 November 2019.

ii) In respect of the financial year ended 30 April 2020:

- a first interim dividend of 3 sen per ordinary share totalling RM8,709,885 declared on 18 December 2019 and paid on 5 March 2020.
- a second interim dividend of 3 sen per ordinary share totalling RM8,709,399 declared on 25 March 2020 and paid on 16 June 2020.
- the final dividend recommended by the Directors in respect of the financial year ended 30 April 2020 is 4 sen per ordinary share.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Kai Hee
Tan Keng Kang
Hew Von Kin
Ng Chek Yong (appointed on 2 May 2019)
Tan Beng Ling
Soon Eng Sing
Chia Kuo Wui
Tan Kim Siong
Prof Hajjah Ruhanas Binti Harun
Chow Kee Kan @ Chow Tuck Kwan (resigned on 4 May 2020)

DIRECTORS OF THE SUBSIDIARIES

The names of directors of subsidiaries are set out in their respective subsidiary's directors' report and the board deems such information is included in the holding company's directors' report by such reference and shall form part of the holding company's directors' report.

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and children of the Directors) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares				
	At 1.5.2019	**Bought**	**Transfer in**	**Sold**	**At 30.4.2020**
Interests in the Company:					
Tan Kai Hee					
- direct	29,560,899	261,600	-	-	29,822,499
- indirect	14,949,383	-	-	-	14,949,383
Tan Keng Kang					
- direct	12,388,320	-	-	-	12,388,320
- indirect	32,121,962	261,600	-	-	32,383,562
Hew Von Kin					
- direct	401,152	-	-	-	401,152
Chow Kee Kan @ Chow Tuck Kwan					
- direct	20,000	-	-	-	20,000
Chia Kuo Wui					
- direct	1,381,301	-	-	-	1,381,301
Tan Kim Siong					
- direct	38,000	4,000	10,000	-	52,000
- indirect	7,500	-	-	-	7,500
Soon Eng Sing					
- direct	50,000	-	-	-	50,000

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and children of the Directors) as recorded in the Register of Directors' Shareholdings are as follows: (continued)

	Number of ordinary shares				
	At 1.5.2019	Bought	Transfer in	Sold	At 30.4.2020
Deemed interests in the Company:					
Tan Kai Hee *	28,182,123	172,200	-	-	28,354,323
Tan Keng Kang *	28,182,123	172,200	-	-	28,354,323
Interests in a subsidiary, Hai-O Raya Bhd.:					
Tan Kai Hee					
- direct	34,000	-	-	-	34,000
- indirect	47,000	-	-	-	47,000
Tan Keng Kang					
- direct	16,000	-	-	-	16,000
- indirect	65,000	-	-	-	65,000
Hew Von Kin					
- direct	3,000	-	-	-	3,000
Deemed interests in a subsidiary, Hai-O Raya Bhd.:					
Tan Kai Hee*	30,000	-	-	-	30,000
Tan Keng Kang*	30,000	-	-	-	30,000

* Deemed interested by virtue of the Directors' interests in Akintan Sdn. Bhd. and/or Daritan Sdn. Bhd.

	Number of options over ordinary shares			
	At 1.5.2019	Granted	Exercised	At 30.4.2020
Hew Von Kin	20,000	-	-	20,000

In accordance with the Companies Act, the interests and deemed interests of the spouses and children of the Directors in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) shall be treated as the interests of the Directors also.

By virtue of their interests in the shares of the Company, Tan Kai Hee and Tan Keng Kang are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Hai-O Enterprise Berhad has an interest.

None of the other Directors holding office at 30 April 2020 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, apart from the issue of the Employees' Share Option Scheme ("ESOS") in the previous financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company repurchased 52,200 (2019: 637,400) of its issued share capital from the open market for a total consideration of RM105,044 (2019: RM2,472,633). The average price paid for the shares repurchased was RM2.01 (2019: RM3.88) per share and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

At 30 April 2020, the Company held 9,984,588 (2019: 9,932,388) of its own shares.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year, apart from the issue of options pursuant to ESOS in financial year 2018.

The shareholders of the Company had at its Extraordinary General Meeting held on 15 March 2017 approved the establishment of an ESOS of up to 15% of the total number of issued shares in Hai-O (excluding treasury shares) at any one time during the duration of the ESOS for eligible employees and directors of Hai-O and its subsidiaries (excluding subsidiaries which are dormant).

The salient features of the ESOS scheme are, *inter alia*, as follows:

i) Eligible employees are those who must be at least eighteen (18) years of age, employed on a full time basis by any company in the Group and must have been confirmed in service for a continuous period of one (1) year on the date of offer; or serving under an employment contract for a fixed duration of at least one (1) year in the Group and have been continuously in service for at least two (2) years in the group prior to the date of offer.

ii) Any Director of the Group shall be eligible to participate in the ESOS, if as at the date of offer, such Director has been appointed for at least one (1) year prior to the date of offer. An eligible Director who is non-executive Director in the Group shall not sell, transfer or assign the shares obtained through the exercise of the Options granted to him within one (1) year from the date of offer.

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

iii) The aggregate number of new shares that may be offered under the Options and allotted to an eligible person shall be:

a) at any one time when an offer is made, not more than ten per centum (10%) of the new shares available under the Scheme be allocated to any eligible person who, either singly or collectively through persons connected with the eligible person, holds twenty per centum (20%) or more in the total number of issued shares in the Company (excluding treasury shares, if any);

b) at any one time during the ESOS Period, not more than fifty per centum (50%) of the new shares available under the Scheme shall be allocated in aggregate to the Directors and Senior Management of the Group; and

c) the Directors and Senior Management of the Group do not participate in the deliberation or discussion of their own allocation of Options;

provided that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

iv) The Scheme shall be in force for a period of five (5) years from the first grant date and may be extended for a period of five (5) years after the expiration of the first five year period.

v) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer.

vi) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate or as determined by the Board of Directors.

vii) The option granted to eligible person will lapse when they are no longer in employment or in contract of service with the Group.

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

Date of offer	Exercise price	At 1.5.2019	Exercised	Forfeited	At 30.4.2020
3 July 2017	RM3.63	501,000	-	(60,000)	441,000

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity sum insured and premium paid for Directors and officers of the Group and of the Company are RM3,000,000 and RM18,000 respectively. There are no indemnity and insurance purchased for the auditors of the Group and of the Company.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' report on the audit of the financial statements of Company's subsidiaries did not contain any qualification.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 April 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

On 10 June 2019, a subsidiary of the Group – Yan Ou Holdings (M) Sdn. Bhd. ("YOH") has acquired the remaining 100,000 shares of RM0.80 each in its subsidiary – Yan Ou Marketing (Intl) Sdn. Bhd. ("YOM") from non-controlling owners for a total cash consideration of RM80,000. The acquisition increased the equity interest in YOM from 90% to 100%. Pursuant to the acquisition, the Group's effective interest over YOM via YOH increased from 54% to 60%.

On 22 November 2019, Yan Ou Holdings (M) Sdn. Bhd. ("YOH") increased its share capital by RM1,000,000 which was subscribed by the Company and the existing non-controlling owner in accordance with their equity interest in YOH of 60% and 40%, respectively. With effect thereof, the share capital of YOH has increased to RM2,500,000.

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 RM50,000. With effect thereof, PTI has become an associate company of SHOM.

During the financial year, the Company acquired additional 71,000 shares of RM2.80 each in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM198,800. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 63.67% to 66.03%.

During the financial year, the strike-off exercise of Seagull Technology (Beijing) Co. Ltd. ("STCL"), a wholly owned subsidiary company of Hai-O (Hong Kong) Investment Limited, was completed. The strike-off of STCL did not have any material impact to the Group as it was dormant since its formation.

During the financial year, the Company had incorporated a wholly owned subsidiary, namely Tea Reserves Sdn. Bhd. with a total issued share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 24 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Keng Kang
Director

Hew Von Kin
Director

Kuala Lumpur

Date: 3 August 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 30 APRIL 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Assets					
Property, plant and equipment	3	86,511,684	97,146,523	34,353,160	35,084,228
Investment properties	4	45,067,761	45,658,791	41,547,931	42,511,105
Right-of-use assets	5	12,026,890	-	139,270	-
Goodwill	6	84,930	84,930	-	-
Investments in subsidiaries	7	-	-	17,566,288	15,767,488
Investments in associates	8	-	-	-	-
Investment in a joint venture	9	2,158,220	2,187,503	760,000	760,000
Other investments	10	12,253	12,425	-	-
Trade and other receivables	11	1,181,377	1,521,094	-	-
Deferred tax assets	12	2,060,249	1,024,834	1,385,119	329,178
Total non-current assets		149,103,364	147,636,100	95,751,768	94,451,999
Inventories	13	93,330,813	98,121,733	42,406,015	41,924,392
Other investments	10	37,919,918	41,321,096	6,162,695	6,554,667
Trade and other receivables	11	20,353,544	20,262,851	37,380,726	34,940,578
Prepayments		1,168,757	1,575,588	89,652	182,701
Current tax assets		1,879,436	1,526,033	491,616	956,329
Cash and cash equivalents	14	57,963,672	53,792,063	16,650,611	8,223,209
Total current assets		212,616,140	216,599,364	103,181,315	92,781,876
Total assets		361,719,504	364,235,464	198,933,083	187,233,875
Equity					
Share capital		157,256,450	157,256,450	157,256,450	157,256,450
Treasury shares		(24,158,288)	(24,053,244)	(24,158,288)	(24,053,244)
Reserves		166,487,974	177,015,584	38,219,385	36,960,987
Equity attributable to owners of the Company	15	299,586,136	310,218,790	171,317,547	170,164,193
Non-controlling interests		10,603,439	10,455,710	-	-
Total equity		310,189,575	320,674,500	171,317,547	170,164,193
Liabilities					
Lease liabilities		3,434,966	-	95,263	-
Loans and borrowings	16	-	-	123,753	316,235
Deferred tax liabilities	12	436,538	642,564	-	-
Total non-current liabilities		3,871,504	642,564	219,016	316,235
Loans and borrowings	16	-	289,000	173,703	491,141
Trade and other payables	18	44,107,470	38,536,190	27,169,774	16,262,306
Lease liabilities		1,620,591	-	53,043	-
Current tax liabilities		7,720	840,854	-	-
Provisions	19	698,175	1,529,250	-	-
Contract liabilities	20	1,224,469	1,723,106	-	-
Total current liabilities		47,658,425	42,918,400	27,396,520	16,753,447
Total liabilities		51,529,929	43,560,964	27,615,536	17,069,682
Total equity and liabilities		361,719,504	364,235,464	198,933,083	187,233,875

The notes on pages 111 to 181 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Revenue	21	255,173,521	328,406,809	137,855,602	162,563,162
Cost of sales		(156,002,799)	(202,513,236)	(65,537,462)	(77,051,396)
Gross profit		99,170,722	125,893,573	72,318,140	85,511,766
Other income		5,793,006	7,395,905	1,679,118	3,982,281
Distribution expenses		(32,474,979)	(40,859,049)	(12,785,400)	(13,264,993)
Administrative expenses		(28,035,475)	(29,088,274)	(13,736,000)	(14,848,700)
Other expenses		(3,525,591)	(1,106,286)	(1,713,496)	(426,597)
Results from operating activities		40,927,683	62,235,869	45,762,362	60,953,757
Finance income	22	979,978	1,244,456	232,605	201,357
Finance costs	23	(361,147)	(107,607)	(59,329)	(131,815)
Net finance income		618,831	1,136,849	173,276	69,542
Share of (loss)/profit of equity-accounted joint venture, net of tax		(29,283)	21,364	-	-
Profit before tax	24	41,517,231	63,394,082	45,935,638	61,023,299
Tax expense	25	(9,198,107)	(15,946,913)	(1,123,005)	(2,723,135)
Profit for the year		32,319,124	47,447,169	44,812,633	58,300,164
Other comprehensive income/(expense), net of tax					
Item that is or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		213,310	(247,593)	-	-
Other comprehensive income/(expense) for the year, net of tax		213,310	(247,593)	-	-
Total comprehensive income for the year		32,532,434	47,199,576	44,812,633	58,300,164
Profit attributable to:					
Owners of the Company		32,576,454	47,742,525	44,812,633	58,300,164
Non-controlling interests		(257,330)	(295,356)	-	-
Profit for the year		32,319,124	47,447,169	44,812,633	58,300,164
Total comprehensive income attributable to:					
Owners of the Company		32,789,764	47,494,932	44,812,633	58,300,164
Non-controlling interests		(257,330)	(295,356)	-	-
Total comprehensive income for the year		32,532,434	47,199,576	44,812,633	58,300,164
Basic earnings per ordinary share (sen)	26	11.22	16.43		
Diluted earnings per ordinary share (sen)	26	-	-		

The notes on pages 111 to 181 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2020

Group	Note	Share capital RM	Treasury shares RM	Translation reserve RM	Capital reserve RM	Share option reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company								
		Non-distributable					Distributable			
At 1 May 2018, as previously reported		157,092,458	(21,580,611)	(55,663)	657,192	675,408	171,115,866	307,904,650	11,018,740	318,923,390
Adjustment on initial application of MFRS 9, net of tax		-	-	-	-	-	(423,510)	(423,510)	-	(423,510)
Adjustment on initial application of MFRS 15, net of tax		-	-	-	-	-	1,134,747	1,134,747	-	1,134,747
At 1 May 2018, restated		157,092,458	(21,580,611)	(55,663)	657,192	675,408	171,827,103	308,615,887	11,018,740	319,634,627
Foreign currency translation differences for foreign operations		-	-	(247,593)	-	-	-	(247,593)	-	(247,593)
Total other comprehensive expense for the year		-	-	(247,593)	-	-	-	(247,593)	-	(247,593)
Profit for the year		-	-	-	-	-	47,742,525	47,742,525	(295,356)	47,447,169
Total comprehensive income for the year		-	-	(247,593)	-	-	47,742,525	47,494,932	(295,356)	47,199,576
Own shares acquired	15.4	-	(2,472,633)	-	-	-	-	(2,472,633)	-	(2,472,633)
Acquisition of additional interests in a subsidiary from non-controlling interests	33.3	-	-	-	-	-	35,274	35,274	(49,274)	(14,000)
Share option exercised		163,992	-	-	-	(40,572)	-	123,420	-	123,420
Share option forfeited		-	-	-	-	(36,992)	36,992	-	-	-
Dividends to non-controlling interests of a subsidiary		-	-	-	-	-	-	-	(218,400)	(218,400)
Dividends to owners of the Company	27	-	-	-	-	-	(43,578,090)	(43,578,090)	-	(43,578,090)
Total transactions with owners of the Company		163,992	(2,472,633)	-	-	(77,564)	(43,505,824)	(45,892,029)	(267,674)	(46,159,703)
At 30 April 2019		157,256,450	(24,053,244)	(303,256)	657,192	597,844	176,063,804	310,218,790	10,455,710	320,674,500

Note 15.5

Group	Note	Share capital RM	Treasury shares RM	Translation reserve RM	Capital reserve RM	Share option reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company								
		Non-distributable					Distributable			
At 1 May 2019, as previously reported		157,256,450	(24,053,244)	(303,256)	657,192	597,844	176,063,804	310,218,790	10,455,710	320,674,500
Adjustment on initial application of MFRS 16, net of tax		-	-	-	-	-	(67,214)	(67,214)	-	(67,214)
At 1 May 2019, restated		157,256,450	(24,053,244)	(303,256)	657,192	597,844	175,996,590	310,151,576	10,455,710	320,607,286
Foreign currency translation differences for foreign operations		-	-	(153,128)	-	-	-	(153,128)	-	(153,128)
Realisation of translation reserve from disposal of subsidiaries		-	-	366,438	-	-	-	366,438	-	366,438
Total other comprehensive income for the year		-	-	213,310	-	-	-	213,310	-	213,310
Profit for the year		-	-	-	-	-	32,576,454	32,576,454	(257,330)	32,319,124
Total comprehensive income for the year		-	-	213,310	-	-	32,576,454	32,789,764	(257,330)	32,532,434
Own shares acquired	15.4	-	(105,044)	-	-	-	-	(105,044)	-	(105,044)
Acquisition of additional interests in subsidiaries from non-controlling interests	33.1	-	-	-	-	-	298,779	298,779	(577,579)	(278,800)
Minority shareholders of disposed subsidiary	33.2	-	-	-	-	-	-	-	800,438	800,438
Acquisition of additional interest in a subsidiary by non-controlling interest	33.1	-	-	-	-	-	-	-	400,000	400,000
Share option forfeited		-	-	-	-	(71,598)	71,598	-	-	-
Dividends to non-controlling interests of a subsidiary		-	-	-	-	-	-	-	(217,800)	(217,800)
Dividends to owners of the Company	27	-	-	-	-	-	(43,548,939)	(43,548,939)	-	(43,548,939)
Total transactions with owners of the Company		-	(105,044)	-	-	(71,598)	(43,178,562)	(43,355,204)	405,059	(42,950,145)
At 30 April 2020		157,256,450	(24,158,288)	(89,946)	657,192	526,246	165,394,482	299,586,136	10,603,439	310,189,575
						Note 15.5				

The notes on pages 111 to 181 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2020

Company	Note	← Non-distributable			→	Distributable	
		Share capital RM	Treasury shares RM	Capital reserve RM	Share option reserve RM	Retained earnings RM	Total equity RM
At 1 May 2018, as previously reported		157,092,458	(21,580,611)	210	675,408	22,027,377	158,214,842
Adjustment on initial application of MFRS 9, net of tax		-	-	-	-	(423,510)	(423,510)
At 1 May 2018, restated		157,092,458	(21,580,611)	210	675,408	21,603,867	157,791,332
Profit and total comprehensive income for the year		-	-	-	-	58,300,164	58,300,164
Own shares acquired	15.4	-	(2,472,633)	-	-	-	(2,472,633)
Share option exercised		163,992	-	-	(40,572)	-	123,420
Share option forfeited		-	-	-	(36,992)	36,992	-
Dividends to owners of the Company	27	-	-	-	-	(43,578,090)	(43,578,090)
Total transactions with owners of the Company		163,992	(2,472,633)	-	(77,564)	(43,541,098)	(45,927,303)
At 30 April 2019/1 May 2019		157,256,450	(24,053,244)	210	597,844	36,362,933	170,164,193
Adjustment on initial application of MFRS 16, net of tax		-	-	-	-	(5,296)	(5,296)
At 1 May 2019, restated		157,256,450	(24,053,244)	210	597,844	36,357,637	170,158,897
Profit and total comprehensive income for the year		-	-	-	-	44,812,633	44,812,633
Own shares acquired	15.4	-	(105,044)	-	-	-	(105,044)
Share option forfeited		-	-	-	(71,598)	71,598	-
Dividends to owners of the Company	27	-	-	-	-	(43,548,939)	(43,548,939)
Total transactions with owners of the Company		-	(105,044)	-	(71,598)	(43,477,341)	(43,653,983)
At 30 April 2020		157,256,450	(24,158,288)	210	526,246	37,692,929	171,317,547
					Note 15.5		

The notes on pages 111 to 181 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2020

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from operating activities				
Profit before tax	41,517,231	63,394,082	45,935,638	61,023,299
Adjustments for:				
Depreciation of investment properties	672,181	749,285	635,900	638,158
Depreciation of property, plant and equipment	3,867,431	3,888,726	1,284,161	1,234,306
Depreciation of right-of-use assets	2,070,190	-	52,227	-
Dividend income	(1,319,585)	(1,485,710)	(39,843,001)	(51,687,628)
Fair value gain on other investments	(163,318)	(37,691)	(8,048)	(9,273)
Finance costs	361,147	107,607	59,329	131,815
Finance income	(979,978)	(1,244,456)	(232,605)	(201,357)
Gain on disposal of other investments	(10,412)	(158,869)	-	(6,395)
Gain on disposal of property, plant and equipment	-	(1,277,515)	-	(1,281,781)
Gain on disposal of subsidiaries	(1,110,733)	-	-	-
Impairment loss on trade and other receivables	2,095,556	249,919	1,139,075	245,279
Property, plant and equipment written off	10,805	21,590	1,449	1,752
Provision for sales campaign	1,170,000	3,807,732	-	-
Share of loss/(profit) of equity-accounted joint venture, net of tax	29,283	(21,364)	-	-
Unrealised foreign exchange (gain)/loss	(255,266)	33,783	(16,930)	79,055
Operating profit before working capital changes	47,954,532	68,027,119	9,007,195	10,167,230
Change in inventories	3,699,705	(6,937,515)	(481,623)	(2,317,439)
Change in trade and other receivables and prepayments	(1,480,459)	10,547,430	6,308,531	4,612,386
Change in trade and other payables	(121,786)	(16,584,795)	(1,480,574)	(5,178,562)
Cash generated from operations	50,051,992	55,052,239	13,353,529	7,283,615
Sales campaign paid	(2,001,075)	(5,526,622)	-	-
Tax paid	(11,846,385)	(21,232,385)	(1,856,292)	(4,152,378)
Tax refunded	376,014	285,401	143,732	-
Interest paid	(338,408)	-	(9,840)	-
Net cash from operating activities	36,242,138	28,578,633	11,631,129	3,131,237
Cash flows from investing activities				
Accretion of equity interest in subsidiaries	(278,800)	(14,000)	-	-
Acquisition of investment properties	(81,151)	(1,679,252)	-	-
Acquisition of other investments	(10,500,121)	(61,487,553)	(1,500,000)	(4,000,000)
Acquisition of property, plant and equipment	(634,669)	(6,616,188)	(227,690)	(2,070,310)
Dividends received	4,500	473,077	34,640,700	51,467,400
Increase in investments in subsidiaries	-	-	(1,798,800)	(14,000)
Interest received from fixed deposits and repo	979,978	1,244,456	232,605	201,357
Proceeds from disposal of other investments	15,390,286	79,316,144	2,102,321	7,564,144
Proceeds from disposal of property, plant and equipment	422	1,408,500	422	1,400,000
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	(123,264)	-	-	-
Net cash from investing activities	4,757,181	12,645,184	33,449,558	54,548,591

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from financing activities				
Dividends paid to non-controlling interests of a subsidiary	(217,800)	(218,400)	-	-
Dividends paid to owners of the Company	(34,839,540)	(52,306,035)	(34,839,540)	(52,306,035)
Equity contribution from non-controlling interest	400,000	-	-	-
Net repayment of bankers' acceptances	(289,000)	(1,116,000)	(289,000)	(1,116,000)
Increase/(Decrease) in amounts due to subsidiaries	-	-	3,697,945	(229,022)
Increase in amounts due from subsidiaries	-	-	(4,789,469)	(868,660)
Increase in amount due from an associate	-	-	(5,236)	-
Interest paid on loans and borrowings	(22,739)	(107,607)	(49,489)	(131,815)
Proceeds from issuance of shares	-	123,420	-	123,420
Repayment of hire purchase liabilities due to a subsidiary	-	-	(220,920)	(216,490)
Payment of lease liabilities	(1,806,178)	-	(50,160)	-
Repurchase of treasury shares	(105,044)	(2,472,633)	(105,044)	(2,472,633)
Net cash used in financing activities	(36,880,301)	(56,097,255)	(36,650,913)	(57,217,235)
Net increase/(decrease) in cash and cash equivalents	4,119,018	(14,873,438)	8,429,774	462,593
Effect of exchange rate fluctuations on cash held	52,591	(8,941)	(2,372)	(33,605)
Cash and cash equivalents at 1 May 2019/2018	53,792,063	68,674,442	8,223,209	7,794,221
Cash and cash equivalents at 30 April	57,963,672	53,792,063	16,650,611	8,223,209

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Deposit placed with licensed banks	14	45,015,448	33,783,802	15,800,754	6,198,173
Cash and bank balances	14	12,948,224	20,008,261	849,857	2,025,036
		57,963,672	53,792,063	16,650,611	8,223,209

Cash outflows for leases as a lessee

	Note	2020 RM	2019 RM
Group			
Included in net cash from operating activities:			
Interest paid in relation to lease liabilities	23	338,408	-
Included in net cash from financing activities:			
Payment of lease liabilities		1,806,178	-
Total cash outflows for leases		2,144,586	-

Cash outflows for leases as a lessee (continued)

	Note	2020 RM	2019 RM
Company			
Included in net cash from operating activities:			
Interest paid in relation to lease liabilities	23	9,840	-
Included in net cash from financing activities:			
Payment of lease liabilities		50,160	-
Total cash outflows for leases		60,000	-

Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 May 2018 RM	Net changes from financing cash flows Repayment RM	At 30 April 2019 RM	Adjustment on initial application of MFRS 16 RM	At 1 May 2019 RM	Net changes from financing cash flows Repayment RM	At 30 April 2020 RM
Group							
Bankers' acceptances	1,405,000	(1,116,000)	289,000	-	289,000	(289,000)	-
Lease liabilities	-	-	-	6,861,735	6,861,735	(1,806,178)	5,055,557
Total liabilities from financing activities	1,405,000	(1,116,000)	289,000	6,861,735	7,150,735	(2,095,178)	5,055,557
Company							
Bankers' acceptances	1,405,000	(1,116,000)	289,000	-	289,000	(289,000)	-
Hire purchase liabilities due to a subsidiary	734,866	(216,490)	518,376	-	518,376	(220,920)	297,456
Lease liabilities	-	-	-	198,466	198,466	(50,160)	148,306
Total liabilities from financing activities	2,139,866	(1,332,490)	807,376	198,466	1,005,842	(560,080)	445,762

The notes on pages 111 to 181 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

Hai-O Enterprise Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Wisma Hai-O
Lot 11995, Batu 2
Jalan Kapar
41400 Klang
Selangor Darul Ehsan

Registered office
Unit 621, 6th Floor, Block A
Kelana Centre Point
No 3 Jalan SS7/19 Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 30 April 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and a joint venture. The financial statements of the Company as at and for the financial year ended 30 April 2020 do not include other entities.

The Company is principally engaged in the wholesaling and retailing of herbal medicines and healthcare products, wellness and beauty products, investment holding activities and property holding activities, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 3 August 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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

- MFRS 17, *Insurance Contracts*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128*, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 May 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

- from the annual period beginning on 1 May 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.

- from the annual period beginning on 1 May 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022, except for Amendments to MFRS 1 and Amendments to MFRS 141 which are not applicable to the Group and the Company.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, except for financial information relating to operating segments (Note 28) which has been rounded to the nearest thousand.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 – valuation of investment properties
- Note 5 – lease extension options and incremental borrowing rate of lease
- Note 12 – recognition of deferred tax assets
- Note 19 – provisions
- Note 29 – measurement of expected credit loss ("ECL")

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impact arising from the changes are disclosed in Note 34.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in a joint venture is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 May 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Fair value through profit or loss (continued)

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

Financial liabilities

Amortised cost

Financial liabilities are measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Vintage Pu-Er tea leaves are carried at cost and are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	50 - 99 years
• Buildings	50 years
• Motor vehicles	5 years
• Laboratory, furniture and office equipment	3 - 10 years
• Warehouse and electrical fittings	10 years
• Renovation	10 years
• Plant and machinery	5 years
• Fire fighting and lift systems	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 May 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and the leased assets were not recognised on the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

(f) Goodwill

Goodwill which arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted associates and joint venture.

Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include properties which in substance are finance leases held for a currently undetermined future use. Investment properties are initially and subsequently measured at cost and are accounted for similarly to property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property (continued)

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, the carrying amount of the item immediately prior to transfer is recognised as the deemed cost of the investment property for subsequent accounting.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its carrying amount at the date of reclassification becomes its deemed cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(k)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(i) Financial assets (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(iii) Share-based payment transactions (continued)

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Sales campaign

The Group organises various sales campaign programmes for its eligible distributors and wholesale customers. Under these programmes, eligible distributors and wholesale customers are entitled to overseas trips subject to meeting certain qualifying performance targets. A provision is recognised at the end of each reporting period for eligible distributors and wholesale customers based on the Group's estimated qualifiers and quoted tour fares for the sales campaign programmes.

(ii) Goods return

The Group provides pre-agreed return period on products sold by the Group. A provision is recognised at the end of each reporting period for goods return based on the Group's past experience on the level of goods returned.

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income (continued)

(ii) Rental income

Rental income from property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(iii) Hire purchase and lease rental income

Revenue from hire purchase and finance lease is recognised upon commencement of the hire purchase agreement or the lease agreement, on the sum-of-digits method over the period of the agreement. Lease rental income from operating leases is recognised on a straight-line basis over the lease term.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted investments is the ex-dividend date.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(p) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Motor vehicles RM	Laboratory, furniture, and office equipment RM	Warehouse and electrical fittings RM	Renovation RM	Plant and machinery RM	Fire fighting and lift systems RM	Vintage Pu-Er tea leaves RM	Capital work-in-progress RM	Total RM
Cost												
At 1 May 2018	35,143,418	6,694,680	29,172,246	3,085,726	14,454,576	2,784,457	11,171,423	2,362,596	247,449	4,007,361	334,500	109,458,432
Additions	-	1,021,879	2,909,766	-	1,156,595	655,484	760,978	111,486	-	-	-	6,616,188
Disposals	-	-	-	-	(14,675)	(1,150)	(24,912)	-	-	(118,219)	-	(158,956)
Written off	-	-	-	-	(24,079)	(131,266)	(44,902)	258,508	(3,216)	-	(334,500)	(279,455)
Transfer from investment properties (Note 4)	6,221,043	-	4,999,823	-	-	-	-	-	-	-	-	11,220,866
Effect of movements in exchange rates	-	-	-	2,439	14,787	684	9,684	-	-	-	-	27,594
At 30 April 2019, as previously reported	41,364,461	7,716,559	37,081,835	3,088,165	15,587,204	3,308,209	11,872,271	2,732,590	244,233	3,889,142	-	126,884,669
Adjustment on initial application of MFRS 16	-	(7,716,559)	-	-	-	-	-	-	-	-	-	(7,716,559)
At 1 May 2019, as restated	41,364,461	-	37,081,835	3,088,165	15,587,204	3,308,209	11,872,271	2,732,590	244,233	3,889,142	-	119,168,110
Additions	-	-	110,318	-	292,725	39,325	54,965	137,336	-	-	-	634,669
Disposal of a subsidiary	-	-	-	(85,425)	(410,607)	(12,334)	(144,943)	-	-	-	-	(653,309)
Disposals	-	-	-	-	(831)	-	-	-	-	-	-	(831)
Written off	-	-	-	-	(144,808)	(14,256)	(14,545)	-	-	-	-	(173,609)
Effect of movements in exchange rates	-	-	-	1,565	8,386	309	3,953	-	-	-	-	14,213
At 30 April 2020	41,364,461	-	37,192,153	3,004,305	15,332,069	3,321,253	11,771,701	2,869,926	244,233	3,889,142	-	118,989,243

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Motor vehicles RM	Laboratory, furniture, and office equipment RM	Warehouse and electrical fittings RM	Renovation RM	Plant and machinery RM	Fire fighting and lift systems RM	Vintage Pu-Er tea leaves RM	Capital work-in-progress RM	Total RM
Depreciation and impairment loss												
At 1 May 2018	-	264,318	6,988,259	2,008,489	8,922,455	1,144,530	4,535,400	2,092,472	158,923	-	-	26,114,846
Depreciation for the year	-	129,062	681,013	347,191	1,176,431	266,168	1,090,044	175,072	23,745	-	-	3,888,726
Disposals	-	-	-	-	(9,510)	(814)	(17,647)	-	-	-	-	(27,971)
Written off	-	-	-	-	(248,557)	(42,611)	(27,690)	61,985	(992)	-	-	(257,865)
Effect of movements in exchange rates	-	-	-	2,439	11,752	487	5,732	-	-	-	-	20,410
At 30 April 2019, as previously reported	-	393,380	7,669,272	2,358,119	9,852,571	1,367,760	5,585,839	2,329,529	181,676	-	-	29,738,146
Adjustment on initial application of MFRS 16	-	(393,380)	-	-	-	-	-	-	-	-	-	(393,380)
At 1 May 2019, as restated	-	-	7,669,272	2,358,119	9,852,571	1,367,760	5,585,839	2,329,529	181,676	-	-	29,344,766
Depreciation for the year	-	-	783,104	315,163	1,385,556	234,906	1,030,946	94,011	23,745	-	-	3,867,431
Disposal of a subsidiary	-	-	-	(85,424)	(352,002)	(25,560)	(120,446)	-	-	-	-	(583,432)
Disposals	-	-	-	-	(409)	-	-	-	-	-	-	(409)
Written off	-	-	-	-	(135,645)	(12,624)	(14,535)	-	-	-	-	(162,804)
Effect of movements in exchange rates	-	-	-	1,565	7,010	269	3,163	-	-	-	-	12,007
At 30 April 2020	-	-	8,452,376	2,589,423	10,757,081	1,564,751	6,484,967	2,423,540	205,421	-	-	32,477,559
Carrying amounts												
At 1 May 2018	35,143,418	6,430,362	22,183,987	1,077,237	5,532,121	1,639,927	6,636,023	270,124	88,526	4,007,361	334,500	83,343,586
At 30 April 2019	41,364,461	7,323,179	29,412,563	730,046	5,734,633	1,940,449	6,286,432	403,061	62,557	3,889,142	-	97,146,523
At 30 April 2020	41,364,461	-	28,739,777	414,882	4,574,988	1,756,502	5,286,734	446,386	38,812	3,889,142	-	86,511,684

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM	Buildings RM	Motor vehicles RM	Furniture and office equipment RM	Electrical fittings RM	Renovation RM	Plant and machinery RM	Vintage Pu-Er tea leaves RM	Total RM
Cost									
At 1 May 2018	17,028,856	9,641,378	2,228,194	2,802,159	64,884	5,107,032	50,500	3,971,361	40,894,364
Additions	-	1,033,775	-	486,088	383,399	167,048	-	-	2,070,310
Disposals	-	-	-	-	-	-	-	(118,219)	(118,219)
Written off	-	-	-	(9,030)	(5,000)	-	-	-	(14,030)
Transfer from investment properties	-	2,711,731	-	-	-	-	-	-	2,711,731
At 30 April 2019/1 May 2019	17,028,856	13,386,884	2,228,194	3,279,217	443,283	5,274,080	50,500	3,853,142	45,544,156
Additions	-	92,769	-	133,581	1,340	-	-	-	227,690
Disposals	-	-	-	(835)	-	-	-	-	(835)
Written off	-	-	-	(5,912)	-	-	-	-	(5,912)
Transfer from investment properties	239,272	112,825	-	-	-	-	-	-	352,097
At 30 April 2020	17,268,128	13,592,478	2,228,194	3,406,051	444,623	5,274,080	50,500	3,853,142	46,117,196
Depreciation									
At 1 May 2018	-	3,466,170	1,464,210	2,087,810	29,555	2,139,655	50,500	-	9,237,900
Depreciation for the year	-	259,123	258,596	206,626	26,512	483,449	-	-	1,234,306
Written off	-	-	-	(9,028)	(3,250)	-	-	-	(12,278)
At 30 April 2019/1 May 2019	-	3,725,293	1,722,806	2,285,408	52,817	2,623,104	50,500	-	10,459,928
Depreciation for the year	-	271,238	226,567	275,734	42,410	468,212	-	-	1,284,161
Disposals	-	-	-	(413)	-	-	-	-	(413)
Written off	-	-	-	(4,463)	-	-	-	-	(4,463)
Transfer from investment properties	-	24,823	-	-	-	-	-	-	24,823
At 30 April 2020	-	4,021,354	1,949,373	2,556,266	95,227	3,091,316	50,500	-	11,764,036
Carrying amounts									
At 1 May 2018	17,028,856	6,175,208	763,984	714,349	35,329	2,967,377	-	3,971,361	31,656,464
At 30 April 2019/1 May 2019	17,028,856	9,661,591	505,388	993,809	390,466	2,650,976	-	3,853,142	35,084,228
At 30 April 2020	17,268,128	9,571,124	278,821	849,785	349,396	2,182,764	-	3,853,142	34,353,160

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Leased motor vehicles

At 30 April 2020, the net carrying amount of leased motor vehicles from a subsidiary of the Company was RM278,597 (2019: RM503,901).

3.2 Security

The leased motor vehicles discussed above secure lease obligations (see Note 16).

3.3 Leasehold land

Included in the total carrying amount of leasehold land of the Group are:

	Group 2019 RM
Leasehold land with unexpired lease period of less than 50 years	1,046,050
Leasehold land with unexpired lease period of more than 50 years	6,277,129
	7,323,179

3.4 Transfer to property, plant and equipment

During the current financial year, properties have been transferred from investment properties to property, plant and equipment following a change in usage from leasing to a third party to being used in the production and supply of goods of the Company.

4. INVESTMENT PROPERTIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cost				
At 1 May 2019/2018	55,174,374	65,361,347	52,841,024	55,552,755
Additions	81,151	1,679,252	-	-
Offset of accumulated depreciation on properties transferred to property, plant and equipment	-	(645,359)	-	-
Transfer to property, plant and equipment	-	(11,220,866)	(352,097)	(2,711,731)
At 30 April	55,255,525	55,174,374	52,488,927	52,841,024
Depreciation				
At 1 May 2019/2018	9,515,583	9,411,657	10,329,919	9,691,761
Depreciation for the year	672,181	749,285	635,900	638,158
Offset of accumulated depreciation on properties transferred to property, plant and equipment	-	(645,359)	-	-
Transfer to property, plant and equipment	-	-	(24,823)	-
At 30 April	10,187,764	9,515,583	10,940,996	10,329,919

4. INVESTMENT PROPERTIES (CONTINUED)

	Group RM	Company RM
Carrying amounts		
At 1 May 2018	55,949,690	45,860,994
At 30 April 2019/1 May 2019	45,658,791	42,511,105
At 30 April 2020	45,067,761	41,547,931

Included in the above are:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Freehold land	21,152,702	21,152,702	21,396,965	21,636,235
Leasehold land with unexpired period of less than 50 years	593,826	613,340	62,400	64,000
Leasehold land with unexpired period of more than 50 years	145,948	150,203	-	-
Buildings	23,175,285	23,742,546	20,088,566	20,810,870
	45,067,761	45,658,791	41,547,931	42,511,105

Investment properties comprise freehold land, leasehold land and a number of residential and commercial properties that are leased to third parties/subsidiaries or are currently vacant.

The following are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Rental income	3,462,196	3,319,548	4,525,679	4,007,468
Direct operating expenses:				
- income generating investment properties	(511,444)	(592,171)	(468,263)	(493,284)
- non-income generating investment properties	(2,906)	(3,546)	-	(640)

4. INVESTMENT PROPERTIES (CONTINUED)

Fair value information

Fair value of investment properties is categorised as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Level 3				
Freehold land	35,318,553	35,318,553	59,596,903	59,596,903
Leasehold land	3,397,900	3,397,900	345,000	345,000
Buildings	51,637,173	51,543,173	49,992,076	49,992,076
	90,353,626	90,259,626	109,933,979	109,933,979

Valuation process applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

5. RIGHT-OF-USE ASSETS

	Land RM	Buildings RM	Total RM
Group			
At 1 May 2019	7,323,179	6,773,536	14,096,715
Depreciation	(134,968)	(1,935,222)	(2,070,190)
Effect of movements in exchange rates	-	365	365
At 30 April 2020	7,188,211	4,838,679	12,026,890
Company			
At 1 May 2019	-	191,497	191,497
Depreciation	-	(52,227)	(52,227)
At 30 April 2020	-	139,270	139,270

5.1 Land

Included in the total carrying amount of land of the Group are:

	Group 2020 RM
Leasehold land with unexpired lease period of less than 50 years	1,004,640
Leasehold land with unexpired lease period of more than 50 years	6,183,571
	7,188,211

5. RIGHT-OF-USE ASSETS (CONTINUED)

5.2 Extension options

Some leases of office buildings and retail stores contain extension options exercisable by the Group and the Company up to six years before the end of the non-cancellable contract period. Where applicable, the Group and the Company seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and the Company and not by the lessors. The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Company reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease liabilities recognised RM	Potential future lease payments not included in lease liabilities RM	Historical rate of extension options exercised %
Group			
Retail stores	5,001,231	-	100
Office buildings	54,326	-	100
Company			
Office building	148,306	-	100

5.3 Significant judgements and assumptions in relation to lease

The Group and the Company assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

6. GOODWILL

	Group	
	2020 RM	2019 RM
At 1 May/30 April	84,930	84,930

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the subsidiaries acquired which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

6. GOODWILL (CONTINUED)

Impairment testing for cash-generating units containing goodwill (continued)

The aggregate carrying amounts of goodwill allocated to each subsidiary are as follows:

	Group	
	2020	**2019**
	RM	**RM**
Chop Aik Seng Sdn. Bhd.	79,390	79,390
Sri Pangkor Credit & Leasing Sdn. Bhd.	5,540	5,540
	84,930	84,930

During the current and previous financial years, the Group assessed these subsidiaries for impairment based on actual operating results of these subsidiaries. No impairment was required as these subsidiaries were generating profits and the Group expects the profits to be sustainable in future periods. The carrying amounts of goodwill are not significantly higher than the profits generated by these subsidiaries during the financial year.

As the goodwill is not significant, hence the key assumptions used in determining the value in use have not been disclosed.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	**2019**
	RM	**RM**
Unquoted shares, at cost	21,011,460	19,212,660
Equity contribution in subsidiaries	1,976,240	1,976,240
Less: Impairment loss	(5,421,412)	(5,421,412)
	17,566,288	15,767,488

The movements of investments in subsidiaries are as follows:

	Company	
	2020	**2019**
	RM	**RM**
At 1 May	15,767,488	15,753,488
Subscription of additional shares	198,800	14,000
Increase in equity contribution in subsidiaries	600,000	-
Incorporation of new subsidiary	1,000,000	-
At 30 April	17,566,288	15,767,488

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2020 %	2019 %
Grand Brands (M) Sdn. Bhd.	Malaysia	General importer, exporter and commission agent	100	100
Hai-O Credit & Leasing Sdn. Bhd. and its subsidiary:	Malaysia	Leasing of machinery, equipment, insurance agent and investment holding	100	100
Sri Pangkor Credit & Leasing Sdn. Bhd.	Malaysia	Licensed money lender and insurance agent	100	100
Hai-O Energy (M) Sdn. Bhd. *	Malaysia	Dormant	100	100
Hai-O I. Sdn. Bhd. *	Malaysia	Dormant	100	100
Hai-O Medicine Sdn. Bhd.	Malaysia	Trading of Chinese herbs and medicine	100	100
Sahajidah Hai-O Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Multi-level direct marketing and investment holding	100	100
PT. Hai-O Indonesia *, @	Indonesia	Multi-level direct marketing	40	55
Sahajidah Hai-O Marketing (EM) Sdn. Bhd. *	Malaysia	Dormant	100	100
Hai-O (PG) Sdn. Bhd. *	Malaysia	Dormant	95.29	95.29
Hai-O Properties Sdn. Bhd.* and its subsidiary:	Malaysia	Property holding and investment holding	100	100
Hai-O Development Sdn. Bhd. *	Malaysia	Dormant	60	60
Hai-O Raya Bhd. **	Malaysia	Retail chain stores	66.03	63.67
Kinds Resource Sdn. Bhd.	Malaysia	Trading of Chinese herbs	100	100
Samariatan Sdn. Bhd. and its subsidiary:	Malaysia	Investment holding	70.32	70.32
Chop Aik Seng Sdn. Bhd.	Malaysia	Trading of tea and other beverages	70.32	70.32
Sea Gull Advertising Sdn. Bhd. *	Malaysia	Dormant	100	100

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2020 %	2019 %
SG Global Biotech Sdn. Bhd. and its subsidiary:	Malaysia	Manufacturing of pharmaceutical products and investment holding	100	100
QIS Research Laboratory Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products, research and laboratory services	100	100
Tea Reserves Sdn. Bhd. *, ^	Malaysia	Retail sale of tea over the Internet and other general business channel	100	-
Vintage Wine Sdn. Bhd. *	Malaysia	Import and trading of wine	100	100
Yan Ou Holdings (M) Sdn. Bhd. *** and its subsidiary:	Malaysia	Trading of birds' nests and investment holding	60	60
Yan Ou Marketing (Intl) Sdn. Bhd. &	Malaysia	Trading and distribution of birds' nests and its related products and other healthcare products	60	54
Hai-O (Hong Kong) Investment Limited * and its subsidiaries:	Hong Kong	Investment holding	100	100
Hai-O (Guangzhou) Trading Ltd. *, #	China	Trading of medicine, health and related products	100	100
Seagull Technology (Beijing) Co. Ltd. *, #, %	China	Dormant	-	100

* Not audited by member firms of KPMG International.

@ 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 RM50,000. With effect thereof, PTI has become an associate company of SHOM.

** During the financial year, the Company acquired additional 71,000 shares in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM198,800. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 63.67% to 66.03%.

^ During the financial year, the Company had incorporated a wholly owned subsidiary, namely Tea Reserves Sdn. Bhd. with a total issued share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

*** On 10 June 2019, a subsidiary of the Group – Yan Ou Holdings (M) Sdn. Bhd. ("YOH") has acquired the remaining 100,000 shares of RM0.80 each in its subsidiary – Yan Ou Marketing (Intl) Sdn. Bhd. ("YOM") from non-controlling owners for a total cash consideration of RM80,000. The acquisition increased the equity interest in YOM from 90% to 100%. Pursuant to the acquisition, the Group's effective interest over YOM via YOH increased from 54% to 60%.

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

& On 22 November 2019, Yan Ou Holdings (M) Sdn. Bhd. ("YOH") increased its share capital by RM1,000,000 which was subscribed by the Company and the existing non-controlling owner in accordance with their equity interest in YOH of 60% and 40%, respectively. With effect thereof, the share capital of YOH has increased to RM2,500,000.

The statutory financial year end of these subsidiaries was 31 December 2019 and it does not coincide with the Group. However, the Company has consolidated the financial position and results of these subsidiaries based on the audited financial statements made up to the financial year end of the Group. The Company has been granted approval from the Companies Commission of Malaysia pursuant to Section 247(7) of the Companies Act 2016 for these subsidiaries to continue adopting a financial year end that does not coincide with the financial year end of the Group.

% During the financial year, the strike-off exercise of Seagull Technology (Beijing) Co. Ltd. ("STCL"), a wholly owned subsidiary company of Hai-O (Hong Kong) Investment Limited, was completed. The strike-off of STCL did not have any material impact to the Group as it was dormant since its formation.

7.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

2020	**Hai-O Raya Bhd. RM**	**Other subsidiaries with immaterial NCI RM**	**Total RM**
NCI percentage of ownership interest and voting interest	33.97%		
Carrying amount of NCI	8,552,938	2,050,501	10,603,439
(Loss)/Profit allocated to NCI	(49,115)	306,445	257,330

Summarised financial information before intra-group elimination	
As at 30 April	
Non-current assets	16,092,980
Current assets	20,334,261
Non-current liabilities	(4,537,568)
Current liabilities	(6,711,757)
Net assets	25,177,916
Year ended 30 April	
Revenue	36,710,756
Loss for the year and total comprehensive expense	(144,583)
Cash flows used in operating activities	(101,943)
Cash flows from investing activities	1,226,332
Cash flows used in financing activities	(2,398,797)
Net decrease in cash and cash equivalents	(1,274,408)
Dividends paid to NCI	217,800

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.1 Non-controlling interests in subsidiaries (continued)

2019	Hai-O Raya Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	36.33%		
Carrying amount of NCI	9,444,403	1,011,307	10,455,710
Profit/(Loss) allocated to NCI	141,230	(436,586)	(295,356)

Summarised financial information before intra-group elimination	
As at 30 April	
Non-current assets	11,240,028
Current assets	22,373,109
Non-current liabilities	(743,478)
Current liabilities	(6,873,505)
Net assets	25,996,154
Year ended 30 April	
Revenue	40,570,460
Profit for the year and total comprehensive income	388,742
Cash flows used in operating activities	(1,942,925)
Cash flows from investing activities	547,666
Cash flows used in financing activities	(544,984)
Net decrease in cash and cash equivalents	(1,940,243)
Dividends paid to NCI	218,400

7.2 Significant restrictions

There are no significant restrictions applying to any assets of the Group other than those disclosed elsewhere in the financial statements.

8. INVESTMENTS IN ASSOCIATES

	Group	
	2020 RM	2019 RM
Unquoted shares, at cost	15	15
Share of post-acquisition reserves	(15)	(15)
	-	-

Details of the associates are as follows:

Name of entity	Principal place of business	Nature of the relationship	Effective ownership interest and voting interest 2020 %	2019 %
Yan Ou (Hong Kong) Trading Limited	Hong Kong	Trading of birds' nests and its related products. Currently inactive	40	40
PT Hai-O Indonesia	Indonesia	Multi-level direct marketing	40	55

Unrecognised share of losses

The Group had not recognised losses related to both associates totalling RM44,680 in financial year 2020 (2019: RM4,750) and RM70,826 (2019: RM26,146) cumulatively, since the Group has no obligation in respect of these losses.

During the financial year, 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 RM50,000. With effect thereof, PTI has become an associate company of SHOM.

Both of the associates are not material to the Group and hence, no further disclosures are provided.

9. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unquoted shares, at cost	760,000	760,000	760,000	760,000
Share of post-acquisition reserves	1,398,220	1,427,503	-	-
Group's share of net assets	2,158,220	2,187,503	760,000	760,000

Peking Tongrentang (M) Sdn. Bhd. ("PKT"), the only joint arrangement in which the Group participates, is principally engaged in providing traditional Chinese physician services and retail of traditional Chinese medicine in Malaysia.

PKT is structured as a separate entity and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in PKT as a joint venture.

9. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The following table summarises the financial information of PKT, as adjusted for any differences in accounting policies.

	Group	
	2020 RM	2019 RM
Percentage of ownership interest	40%	40%
Percentage of voting interest	40%	40%
Summarised financial information		
As at 30 April		
Non-current assets	6,326,242	6,368,541
Current assets	1,545,633	1,550,230
Non-current liabilities	(1,894,842)	(2,091,730)
Current liabilities	(581,264)	(369,062)
Net assets	5,395,769	5,457,979
Year ended 30 April		
(Loss)/Profit for the year and total comprehensive (expense)/income	(73,206)	53,410
Included in the total comprehensive (expense)/income are:		
Revenue	2,478,089	2,801,876
Depreciation	(53,679)	(54,689)
Interest income	-	14,458
Interest expense	(96,935)	(106,908)
Tax expense	(45,328)	(45,328)
Group's share of results for the year ended 30 April		
Group's share of (loss)/profit and total comprehensive (expense)/income	(29,283)	21,364

10. OTHER INVESTMENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-current				
Financial assets at fair value through profit or loss:				
- quoted shares in Malaysia	333	505	-	-
- unquoted shares	11,920	11,920	-	-
	12,253	12,425	-	-
Current				
Financial assets at fair value through profit or loss:				
- unit trusts in Malaysia	37,919,918	41,321,096	6,162,695	6,554,667
	37,932,171	41,333,521	6,162,695	6,554,667

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Non-current					
Trade					
Hire purchase receivables	11.1	223,558	325,362	-	-
Loan receivables	11.2	957,819	1,195,732	-	-
		1,181,377	1,521,094	-	-
Current					
Trade					
Trade receivables		12,839,437	14,705,703	8,244,048	8,217,398
Less: Impairment allowance		(1,948,305)	(807,169)	(1,941,604)	(802,529)
		10,891,132	13,898,534	6,302,444	7,414,869
Hire purchase receivables	11.1	211,934	151,984	-	-
Loan receivables	11.2	349,616	354,786	-	-
Amounts due from subsidiaries	11.3	-	-	4,491,789	8,411,932
Amount due from an associate	11.3	1,038,290	-	1,038,290	-
Amount due from a joint venture	11.3	579,062	165,782	89,259	4,127
		13,070,034	14,571,086	11,921,782	15,830,928
Non-trade					
Amounts due from associates	11.3	2,059,674	26,365	5,236	-
Less: Individual impairment allowance		(78,771)	-	-	-
		1,980,903	26,365	5,236	-
Amounts due from subsidiaries	11.3	-	-	24,700,710	19,911,241
Less: Individual impairment allowance		-	-	(1,700,417)	(1,700,417)
		-	-	23,000,293	18,210,824
Other receivables		3,533,405	4,123,632	582,687	237,286
Less: Individual impairment allowance		(903,408)	(27,759)	-	-
		2,629,997	4,095,873	582,687	237,286
Deposits		2,672,610	1,409,012	1,870,728	621,173
Goods and services tax receivable		-	160,515	-	40,367
		7,283,510	5,691,765	25,458,944	19,109,650
		20,353,544	20,262,851	37,380,726	34,940,578
		21,534,921	21,783,945	37,380,726	34,940,578

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.1 Hire purchase receivables

Hire purchase receivables are receivable as follows:

	Group 2020 RM	Group 2019 RM
Less than one year	234,434	180,318
Between one and five years	229,433	331,363
More than five years	12,991	29,624
	476,858	541,305
Less: Unearned interest charges	(41,366)	(63,959)
	435,492	477,346
Carrying amount:		
Current	211,934	151,984
Non-current	223,558	325,362
	435,492	477,346

The Group's financing tenor for hire purchase receivables ranges from 12 months to 84 months (2019: 24 months to 98 months). The average remaining period of maturity as at the financial year end was 53 months (2019: 64 months). The effective interest rates during the financial year generally ranged from 5.64% to 8.29% (2019: 5.64% to 8.41%).

11.2 Loan receivables

Loan receivables are receivable as follows:

	Group 2020 RM	Group 2019 RM
Less than one year	349,616	354,786
Between one and five years	925,916	1,042,817
More than five years	31,903	152,915
	1,307,435	1,550,518
Carrying amount:		
Current	349,616	354,786
Non-current	957,819	1,195,732
	1,307,435	1,550,518

The Group's financing tenor for loan receivables ranges from 12 months to 84 months (2019: 12 months to 84 months). The average remaining period of maturity as at the financial year end was 48 months (2019: 45 months). The effective interest rates during the financial year generally ranged from 5.29% to 15.99% (2019: 5.29% to 15.99%).

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.3 Related party balances

The trade balances due from subsidiaries, an associate and a joint venture are subject to negotiated trade terms.

The non-trade balances due from associates and subsidiaries are unsecured and repayable on demand.

12. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
Group						
Property, plant and equipment	-	-	(1,977,604)	(2,910,318)	(1,977,604)	(2,910,318)
Right-of-use assets	-	-	(1,148,711)	-	(1,148,711)	-
Lease liabilities	1,200,294	-	-	-	1,200,294	-
Provisions	3,142,170	2,511,621	-	-	3,142,170	2,511,621
Capital allowance carry-forwards	84,616	1,539	-	-	84,616	1,539
Reinvestment allowance carry-forwards	51,566	51,566	-	-	51,566	51,566
Tax loss carry-forwards	-	10,232	-	-	-	10,232
Other items	271,380	717,630	-	-	271,380	717,630
Tax assets/(liabilities)	4,750,026	3,292,588	(3,126,315)	(2,910,318)	1,623,711	382,270
Set off of tax	(2,689,777)	(2,267,754)	2,689,777	2,267,754	-	-
Net tax assets/(liabilities)	2,060,249	1,024,834	(436,538)	(642,564)	1,623,711	382,270
Company						
Property, plant and equipment	-	-	(218,387)	(1,074,930)	(218,387)	(1,074,930)
Right-of-use asset	-	-	(33,425)	-	(33,425)	-
Lease liability	35,593	-	-	-	35,593	-
Provisions	1,605,401	1,385,135	-	-	1,605,401	1,385,135
Other items	-	18,973	(4,063)	-	(4,063)	18,973
Tax assets/(liabilities)	1,640,994	1,404,108	(255,875)	(1,074,930)	1,385,119	329,178
Set off of tax	(255,875)	(1,074,930)	255,875	1,074,930	-	-
Net tax assets	1,385,119	329,178	-	-	1,385,119	329,178

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2020	**2019**
	RM	**RM**
Property, plant and equipment	(45,000)	(58,000)
Capital allowance carry-forwards	148,000	329,000
Tax loss carry-forwards	6,921,000	6,552,000
Right-of-use assets	(52,000)	-
Lease liabilities	54,000	-
	7,026,000	6,823,000

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which certain Group entities can utilise the benefits therefrom.

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the year

	At 1.5.2018 RM	Recognised in profit or loss (Note 25) RM	Recognised directly in equity (Note 25) RM	At 30.4.2019/ 1.5.2019 RM	Adjustments on initial application of MFRS 16 (Note 25) RM	At 1.5.2019, restated RM	Recognised in profit or loss (Note 25) RM	At 30.4.2020 RM
Group								
Property, plant and equipment	(2,110,887)	(799,431)	-	(2,910,318)	-	(2,910,318)	932,714	(1,977,604)
Right-of-use assets	-	-	-	-	(1,605,685)	(1,605,685)	456,974	(1,148,711)
Lease liabilities	-	-	-	-	1,626,670	1,626,670	(426,376)	1,200,294
Provisions	3,284,338	(548,116)	(224,601)	2,511,621	-	2,511,621	630,549	3,142,170
Capital allowance carry-forwards	-	1,539	-	1,539	-	1,539	83,077	84,616
Reinvestment allowance carry-forwards	41,550	10,016	-	51,566	-	51,566	-	51,566
Tax loss carry-forwards	-	10,232	-	10,232	-	10,232	(10,232)	-
Other items	401	717,229	-	717,630	-	717,630	(446,250)	271,380
	1,215,402	(608,531)	(224,601)	382,270	20,985	403,255	1,220,456	1,623,711
Company								
Property, plant and equipment	(826,724)	(248,206)	-	(1,074,930)	-	(1,074,930)	856,543	(218,387)
Right-of-use assets	-	-	-	-	(45,959)	(45,959)	12,534	(33,425)
Lease liabilities	-	-	-	-	47,632	47,632	(12,039)	35,593
Provisions	1,457,609	(206,214)	133,740	1,385,135	-	1,385,135	220,266	1,605,401
Other items	13,284	5,689	-	18,973	-	18,973	(23,036)	(4,063)
	644,169	(448,731)	133,740	329,178	1,673	330,851	1,054,268	1,385,119

13. INVENTORIES

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
At cost:				
Raw materials	1,786,632	1,417,618	-	-
Packaging materials	364,761	329,508	-	-
Finished goods and trading goods	82,911,019	88,583,877	35,960,754	36,387,675
Goods in transit	2,221,298	1,635,300	1,339,316	386,246
	87,283,710	91,966,303	37,300,070	36,773,921
At net realisable value:				
Finished goods and trading goods	6,047,103	6,155,430	5,105,945	5,150,471
	93,330,813	98,121,733	42,406,015	41,924,392
Recognised in profit or loss:				
Inventories recognised as cost of sales	96,244,197	116,611,499	64,452,939	75,952,151
Inventories written off	446,679	1,560,917	60,111	48,657

The write-off is included in cost of sales.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Deposits placed with licensed banks	45,015,448	33,783,802	15,800,754	6,198,173
Cash and bank balances	12,948,224	20,008,261	849,857	2,025,036
	57,963,672	53,792,063	16,650,611	8,223,209

15. CAPITAL AND RESERVES

15.1 Share capital

	Group and Company			
	Amount 2020 RM	Number of shares 2020	Amount 2019 RM	Number of shares 2019
Issued and fully paid:				
At 1 May	157,256,450	300,297,890	157,092,458	300,263,890
Issue for cash under ESOS	-	-	163,992	34,000
At 30 April	157,256,450	300,297,890	157,256,450	300,297,890

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

15.2 Capital reserve

The capital reserve comprises gain arising from disposal of property, plant and equipment and quoted investments in the previous financial years.

15.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

15.4 Treasury shares

The shareholders of the Company, by special resolutions passed in general meetings held in previous financial years, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 52,200 (2019: 637,400) of its issued share capital from the open market for a total consideration of RM105,044 (2019: RM2,472,633). The average price paid for the shares repurchased was RM2.01 (2019: RM3.88) per share and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

At 30 April 2020, the Company held 9,984,588 (2019: 9,932,388) of its own shares.

15.5 Share option reserve

The share option comprises the cumulative value of employee services received for the issue of share options. The share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings. Share option is disclosed in Note 17.

16. LOANS AND BORROWINGS

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Non-current					
Hire purchase liabilities due to a subsidiary	16.1	-	-	123,753	316,235
Current					
Bankers' acceptances					
- unsecured		-	289,000	-	289,000
Hire purchase liabilities due to a subsidiary	16.1	-	-	173,703	202,141
		-	289,000	173,703	491,141
		-	289,000	297,456	807,376

16.1 Hire purchase liabilities due to a subsidiary

Hire purchase liabilities due to a subsidiary are payable by the Company as follows:

	Company 2020 RM	Company 2019 RM
Less than one year	187,909	228,891
Between one and five years	128,326	335,015
	316,235	563,906
Less: Future interest charges	(18,779)	(45,530)
	297,456	518,376
Carrying amount:		
Current	173,703	202,141
Non-current	123,753	316,235
	297,456	518,376

17. SHARE-BASED PAYMENT ARRANGEMENT

On 3 July 2017, the Group granted share options to eligible Directors and employees to subscribe for the ordinary shares in the Company under the Employee Share Option Scheme approved by the shareholders of the Company on 3 May 2017.

The fair value of share options granted, measured using a black-schole model, with the following inputs:

Grant date	Number of options	Vesting conditions	Options life
3 July 2017	2,189,000	None	5 years

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2020 RM	Number of options 2020
Outstanding at 1 May 2019	-	501,000
Forfeited during the year	-	(60,000)
Outstanding at 30 April 2020	-	441,000

	Group and Company 2018
Fair value at grant date (RM)	1.19
Weighted average share price (RM)	4.01
Share price at grant date (RM)	4.19
Weighted volatility (weighted average volatility) (%)	62.92
Expected dividend (%)	4.72
Option life (expected weighted average life) (years)	5

Value of employee services received for the issue of share option

	Group 2018 RM	Company 2018 RM
Share option granted in 2018	2,596,621	1,194,493
Total expenses recognised as share-based payment	2,596,621	1,194,493

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Trade					
Trade payables		12,564,867	14,549,881	9,411,689	9,569,896
Amounts due to subsidiaries	18.1	-	-	679,370	1,031,426
Amounts due to a joint venture	18.1	-	184	-	-
		12,564,867	14,550,065	10,091,059	10,601,322
Non-trade					
Amounts due to subsidiaries	18.1	-	-	5,718,087	2,020,142
Other payables		21,692,524	13,656,251	8,892,127	271,292
Deposits received		4,787,614	4,264,538	804,034	861,285
Accrued expenses		5,062,465	6,065,336	1,664,467	2,508,265
		31,542,603	23,986,125	17,078,715	5,660,984
		44,107,470	38,536,190	27,169,774	16,262,306

18.1 Related party balances

The trade balances due to subsidiaries and a joint venture are subject to negotiated trade terms.

The non-trade balances due to subsidiaries are unsecured and repayable on demand.

19. PROVISIONS

Group	Sales campaign RM	Goods return RM	Total RM
At 1 May 2018	2,848,140	400,000	3,248,140
Provisions made during the year	3,691,805	-	3,691,805
Under provision in prior year	115,927	-	115,927
Provisions used during the year	(5,526,622)	-	(5,526,622)
At 30 April 2019/1 May 2019	1,129,250	400,000	1,529,250
Provisions made during the year	1,170,000	-	1,170,000
Provisions used during the year	(2,001,075)	-	(2,001,075)
At 30 April 2020	298,175	400,000	698,175

19. PROVISIONS (CONTINUED)

Sales campaign

The Group organises various sales campaign programmes for its eligible distributors and wholesale customers. Under these programmes, eligible distributors and wholesale customers are entitled to overseas trips subject to meeting certain qualifying performance targets. A provision is recognised at the end of each reporting period for eligible distributors and wholesale customers based on the Group's estimated qualifiers and quoted tour fares for the sales campaign programmes.

Goods return

The Group provides pre-agreed return period on products sold by the Group. A provision is recognised at the end of each reporting period for goods return based on the Group's past experience on the level of goods returned.

20. CONTRACT LIABILITIES

Group	2020 RM	2019 RM
Contract liabilities	1,224,469	1,723,106

The contract liabilities primarily relate to the membership fee received from the members of a subsidiary, which revenue is recognised overtime during the membership period. The contract liabilities are expected to be recognised as revenue over a period of 1 to 3 years.

Significant changes to contract liabilities balances during the period are as follows:

Group	2020 RM
At 1 May 2018	-
Reclassification from other payable	2,888,014
First time adoption adjustments	(1,493,088)
At 1 May 2018 as per MFRS 15	1,394,926
Increase/(Decrease) in revenue recognised from previous period arising from:	
- Unearned membership fees	592,386
- Unexpired cash vouchers	(264,206)
At 30 April 2019/1 May 2019	1,723,106
Increase/(Decrease) in revenue recognised from previous period arising from:	
- Unearned membership fees	(773,897)
- Unexpired cash vouchers	275,260
At 30 April 2020	1,224,469

21. REVENUE

	2020 RM	2019 RM
Group		
Revenue from contracts with customers		
- Sale of goods	247,736,580	320,129,704
- Multi-level marketing ("MLM") membership fee	3,875,950	4,946,829
	251,612,530	325,076,533
Other revenue		
- Commissions	74,088	45,242
- Hire purchase and finance lease income	31,412	30,227
- Interest income	260,996	231,001
- Dividend income	93,158	65,812
- Rental income	3,101,337	2,957,994
	3,560,991	3,330,276
Total revenue	255,173,521	328,406,809
Company		
Revenue from contracts with customers		
- Sale of goods – wholesale	93,689,223	107,088,294
Other revenue		
- Dividend income	39,640,700	51,467,400
- Rental income	4,525,679	4,007,468
Total revenue	137,855,602	162,563,162

21. REVENUE (CONTINUED)

21.1 Disaggregation of revenue

Group	Wholesale		Reportable segments Multi-level marketing ("MLM")		Retail		Other non-reportable segments		Total	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers										
- Sale of goods	57,431,723	58,971,907	152,840,155	219,948,174	36,707,040	40,559,100	757,662	650,523	247,736,580	320,129,704
- MLM membership fee	-	-	3,875,950	4,946,829	-	-	-	-	3,875,950	4,946,829
	57,431,723	58,971,907	156,716,105	224,895,003	36,707,040	40,559,100	757,662	650,523	251,612,530	325,076,533
Other revenue	-	-	-	-	-	-	3,560,991	3,330,276	3,560,991	3,330,276
	57,431,723	58,971,907	156,716,105	224,895,003	36,707,040	40,559,100	4,318,653	3,980,799	255,173,521	328,406,809
Timing and recognition										
At a point in time	57,431,723	58,971,907	152,840,155	219,948,174	36,707,040	40,559,100	4,318,653	3,980,799	251,297,571	323,459,980
Overtime	-	-	3,875,950	4,946,829	-	-	-	-	3,875,950	4,946,829
	57,431,723	58,971,907	156,716,105	224,895,003	36,707,040	40,559,100	4,318,653	3,980,799	255,173,521	328,406,809

21.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Sale of goods - *Wholesale and retail*	Revenue is recognised when controls of the goods have been transferred to the customers.	Credit period of 90 days from invoice date.	Early payment discounts for certain customers.	The Group allows return for goods sold for one to one exchange.	Not applicable.
Sale of goods - *MLM*	Revenue is recognised when controls of the goods have been transferred to the customers.	No credit period given.	There are two types of performance bonus i.e. group effort related performance bonus and personal effort related performance bonus. Personal effort related performance bonus is a reduction of transaction price, whilst group effort related performance bonus is a consideration paid to or payable to customers for the provision of distinct services.	The Group allows return for goods sold for one to one exchange with condition.	Not applicable.
MLM membership	Revenue is recognised overtime according to the membership period.	No credit period given.	Not applicable.	Not applicable.	Not applicable.

21. REVENUE (CONTINUED)

21.3 Transaction price allocated to the remaining performance obligations

The Group applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

22. FINANCE INCOME

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fixed deposits and short term deposit	979,978	1,244,456	232,605	201,357

23. FINANCE COSTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Bankers' acceptances	22,739	70,230	22,739	70,230
Hire purchase	-	-	26,750	41,208
Interest expense on lease liabilities	338,408	-	9,840	-
	361,147	70,230	59,329	111,438
Other finance costs	-	37,377	-	20,377
	361,147	107,607	59,329	131,815

24. PROFIT BEFORE TAX

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit for the year is arrived at after charging/(crediting):				
Auditors' remuneration:				
Audit fees:				
- KPMG PLT	348,800	339,600	101,000	101,000
- Other auditors	29,734	71,199	-	-
Non-audit fees:				
- KPMG PLT	15,000	55,000	15,000	55,000
Material expenses/(income)				
Depreciation of investment properties	672,181	749,285	635,900	638,158
Depreciation of property, plant and equipment	3,867,431	3,888,726	1,284,161	1,234,306
Deprecation of right-of-use assets	2,070,190	-	52,227	-
Inventories written down	446,679	1,560,917	60,111	48,657
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	2,995,252	3,230,461	1,010,118	1,126,947
- Wages, salaries and others	30,019,132	29,489,056	10,275,080	9,931,016
Property, plant and equipment written off	10,805	21,590	1,449	1,752
Provision for sales campaign	1,170,000	3,807,732	-	-
Net foreign exchange differences:				
- unrealised	(255,266)	33,783	(16,930)	79,055
- realised	(102,379)	(348,052)	(179,581)	(292,872)
Dividend income from:				
- unquoted shares	(4,500)	(4,500)	-	-
- subsidiaries (unquoted shares)	-	-	(39,640,700)	(51,467,400)
- unit trusts	(1,315,085)	(1,485,710)	(202,301)	(220,228)
Fair value gain on other investments	(163,318)	(37,691)	(8,048)	(9,273)
Gain on disposal of other investments	(10,412)	(158,869)	-	(6,395)
Gain on disposal of property, plant and equipment	-	(1,277,515)	-	(1,281,781)
Gain on disposal of subsidiaries	(1,110,733)	-	-	-
Management fees receivable from:				
- subsidiaries	-	-	(1,083,600)	(1,083,600)
- others	(34,800)	(35,700)	-	-
Rental income from:				
- investment properties	(3,462,196)	(3,319,548)	(4,525,679)	(4,007,468)
Expenses arising from leases				
Rental expense on properties	-	2,533,843	-	167,310

Net loss on impairment of financial instruments				
Financial assets at amortised cost:				
- Trade receivables	1,141,136	249,919	1,139,075	245,279
- Other receivables	954,420	-	-	-
	2,095,556	249,919	1,139,075	245,279

25. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Current tax expense				
Current year	11,383,493	15,002,279	2,514,892	2,473,113
Prior year	(964,930)	336,103	(337,619)	(198,709)
Total current tax recognised in profit or loss	10,418,563	15,338,382	2,177,273	2,274,404
Deferred tax expense				
Origination and reversal of temporary differences	(304,586)	1,546,043	(304,767)	351,551
(Over)/Under provision in prior year	(915,870)	(937,512)	(749,501)	97,180
Total deferred tax recognised in profit or loss (Note 12)	(1,220,456)	608,531	(1,054,268)	448,731
Total income tax expense	9,198,107	15,946,913	1,123,005	2,723,135
Reconciliation of tax expense				
Profit before tax	41,517,231	63,394,082	45,935,638	61,023,299
Income tax calculated using Malaysian tax rate of 24%	9,964,135	15,214,580	11,024,553	14,645,592
Effect of reduction in income tax rate #	-	(34,350)	-	-
Non-deductible expenses	1,704,555	1,587,190	749,824	584,094
Non-taxable income	(266,576)	-	-	-
Tax exempt income	(371,927)	(391,658)	(9,564,252)	(12,405,022)
Effect of deferred tax assets not recognised	73,285	172,560	-	-
Recognition of previously unrecognized capital allowances	(24,565)	-	-	-
Over provision in prior years	(1,880,800)	(601,409)	(1,087,120)	(101,529)
	9,198,107	15,946,913	1,123,005	2,723,135
Income tax recognised directly in equity				
Deferred tax				
- Adjustments on initial application of MFRS 16	(20,985)	-	(1,673)	-
- Adjustments on initial application of MFRS 9	-	(133,740)	-	(133,740)
- Adjustments on initial application of MFRS 15	-	358,341	-	-
	(20,985)	224,601	(1,673)	(133,740)

\# The reduction in income tax rate applies in respect of the incremental chargeable income derived from the carrying on of a business as recognised in the Income Tax (Exemption) (No. 2) Order 2017.

26. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 April 2020 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2020	**2019**
	RM	**RM**
Profit attributable to ordinary shareholders	32,576,454	47,742,525

Weighted average number of ordinary shares

	Group	
	2020	**2019**
Issued ordinary shares at 1 May 2019/2018	300,297,890	300,263,890
Effect of treasury shares held	(9,951,838)	(9,665,620)
Effect of ESOS issue	-	27,603
Weighted average number of ordinary shares at 30 April	290,346,052	290,625,873
Basic earnings per ordinary share	11.22	16.43

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 30 April 2020 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2020	**2019**
Weighted average number of ordinary shares at 30 April (basic)	-	-
Effect of share options on issue	-	-
Weighted average number of ordinary shares at 30 April (diluted)	-	-
Diluted earnings per ordinary 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.

27. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM	Date of payment
2020			
Final 2019 ordinary	9	26,129,655	21 November 2019
First Interim 2020 ordinary	3	8,709,885	5 March 2020
Second Interim 2020 ordinary	3	8,709,399	16 June 2020
		43,548,939	
2019			
Final 2018 ordinary	11	31,963,470	22 November 2018
Interim 2019 ordinary	4	11,614,620	7 March 2019
		43,578,090	

After the end of the reporting period, the final dividend recommended by the Directors in respect of the financial year ended 30 April 2020 is 4 sen per ordinary share. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

28. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing systems and strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Managing Director) reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Wholesale.* Includes wholesaling and trading in herbal medicines and healthcare products, herbs and tea.
- *Multi-level Marketing.* Includes operating multi-level direct selling of health food, healthcare products, wellness products and beauty products.
- *Retail.* Includes operating retail chain stores.

The wholesaling and trading of herbal medicines and healthcare products, wellness and beauty products, herbs and tea are managed by a few different segments within the Group. These operating segments are aggregated to form a reportable segment as Wholesale due to the similar nature and economic characteristics of the products. The nature and methods of distribution of the products for these divisions are similar.

Other non-reportable segments comprise operations related to manufacturing, leasing of machinery and equipment, licensed money lender, insurance agent, investment holding and property holding. None of the segments met the qualitative thresholds for reporting segments in 2020 and 2019.

There are varying levels of integration between Wholesale, Multi-level Marketing and Retail reportable segments. This integration includes sales and transfers of inventories and shared distribution services, respectively. Inter-segment pricing is determined on negotiated basis.

28. OPERATING SEGMENTS (CONTINUED)

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the key results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities comprise operating liabilities and include items such as taxation and borrowings.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and investment properties.

Group	Wholesale RM'000	Multi-level marketing RM'000	Retail RM'000	Other non-reportable segments RM'000	Total RM'000
2020					
Segment profit	46,256	32,265	(172)	2,196	80,545
Included in the measure of segment profit are:					
Revenue from external customers	57,432	156,716	36,707	4,319	255,174
Inter-segment revenue	108,121	110	4	6,461	114,696
Depreciation	(1,617)	(1,779)	(2,476)	(738)	(6,610)
Not included in the measure of segment profit but provided to CODM:					
Tax expense	(1,973)	(7,273)	27	21	(9,198)
Segment assets	175,517	110,193	34,930	41,080	361,720
Included in the measure of segment assets is:					
Additions to non-current assets other than financial instruments and deferred tax assets	274	150	136	156	716
Segment liabilities	26,020	17,086	6,703	1,721	51,530

28. OPERATING SEGMENTS (CONTINUED)

Group	Wholesale RM'000	Multi-level marketing RM'000	Retail RM'000	Other non-reportable segments RM'000	Total RM'000
2019					
Segment profit	64,514	47,360	922	1,467	114,263
Included in the measure of segment profit are:					
Revenue from external customers	58,972	224,895	40,559	3,981	328,407
Inter-segment revenue	141,926	230	11	7,111	149,278
Depreciation	(1,049)	(1,546)	(732)	(1,311)	(4,638)
Not included in the measure of segment profit but provided to CODM:					
Tax expense	(4,079)	(11,164)	(533)	(171)	(15,947)
Segment assets	166,949	128,017	32,760	36,509	364,235
Included in the measure of segment assets is:					
Additions to non-current assets other than financial instruments and deferred tax assets	2,246	4,029	225	1,796	8,296
Segment liabilities	19,089	20,641	1,866	1,965	43,561

Reconciliation of operating segments' profit or loss

	Group 2020 RM'000	Group 2019 RM'000
Profit or loss		
Total profit or loss for operating segments	80,545	114,263
Elimination of inter-segment profits	(39,028)	(50,869)
Tax expense	(9,198)	(15,947)
Consolidated profit for the year	32,319	47,447

Geographical segments

The Group's reportable segments are managed and operated predominantly in Malaysia (country of domicile). Hence, no further presentation of geographical segments is provided.

Major customers

The Group does not have any customers with revenue equal or more than 10% of the Group's total revenue.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 April 2020 categorised as follows:

(a) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

(b) Amortised cost ("AC")

2020	Carrying amount RM	FVTPL – Mandatorily required by MFRS 9 RM	AC RM
Financial assets			
Group			
Other investments	37,932,171	37,932,171	-
Trade and other receivables	21,534,921	-	21,534,921
Cash and cash equivalents	57,963,672	-	57,963,672
	117,430,764	37,932,171	79,498,593
Company			
Other investments	6,162,695	6,162,695	-
Trade and other receivables	37,380,726	-	37,380,726
Cash and cash equivalents	16,650,611	-	16,650,611
	60,194,032	6,162,695	54,031,337
Financial liabilities			
Group			
Trade and other payables	(44,107,470)	-	(44,107,470)
	(44,107,470)	-	(44,107,470)
Company			
Loans and borrowings	(297,456)	-	(297,456)
Trade and other payables	(27,169,774)	-	(27,169,774)
	(27,467,230)	-	(27,467,230)

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.1 Categories of financial instruments (continued)

2019	Carrying amount RM	FVTPL – Mandatorily required by MFRS 9 RM	AC RM
Financial assets			
Group			
Other investments	41,333,521	41,333,521	-
Trade and other receivables *	21,623,430	-	21,623,430
Cash and cash equivalents	53,792,063	-	53,792,063
	116,749,014	41,333,521	75,415,493
Company			
Other investments	6,554,667	6,554,667	-
Trade and other receivables *	34,900,211	-	34,900,211
Cash and cash equivalents	8,223,209	-	8,223,209
	49,678,087	6,554,667	43,123,420
Financial liabilities			
Group			
Loans and borrowings	(289,000)	-	(289,000)
Trade and other payables	(38,536,190)	-	(38,536,190)
	(38,825,190)	-	(38,825,190)
Company			
Loans and borrowings	(807,376)	-	(807,376)
Trade and other payables	(16,262,306)	-	(16,262,306)
	(17,069,682)	-	(17,069,682)

* Excluded Goods and Services Tax ("GST") receivable.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	1,493,315	1,686,770	210,349	235,896
Financial assets at amortised cost	(673,848)	1,273,300	(908,175)	24,045
Financial liabilities at amortised cost	314,952	248,844	148,727	201,952
	1,134,419	3,208,914	(549,099)	461,893

29.3 Financial risk management

The Group and the Company have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

29.4 Credit risk

Credit risk is the risk of a financial loss to the Group and to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, loans and advances to an associate. The Company's exposure to credit risk arises principally from its receivables from customers, loans and advances to subsidiaries and an associate.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Credit risk (continued)

Trade receivables (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group and with the Company. The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the current and previous reporting periods by geographic region was predominantly domestic.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 45 to 90 days.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 150 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 April 2020.

Group	Gross carrying amount RM	Loss allowances RM	Net balance RM
2020			
Not past due	10,706,291	(88,482)	10,617,809
Past due 1 – 30 days	2,106,826	(108,571)	1,998,255
Past due 31 – 60 days	1,371,160	(42,908)	1,328,252
Past due more than 60 days	1,163,713	(856,618)	307,095
	15,347,990	(1,096,579)	14,251,411
Credit impaired			
Individually impaired	851,726	(851,726)	-
	16,199,716	(1,948,305)	14,251,411

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

	Gross carrying amount RM	Loss allowances RM	Net balance RM
Company			
2020			
Not past due	9,015,416	(87,904)	8,927,512
Past due 1 – 30 days	2,221,822	(108,279)	2,113,543
Past due 31 – 60 days	818,986	(42,724)	776,262
Past due more than 60 days	957,886	(853,421)	104,465
	13,014,110	(1,092,328)	11,921,782
Credit impaired			
Individually impaired	849,276	(849,276)	-
	13,863,386	(1,941,604)	11,921,782
Group			
2019			
Not past due	13,999,519	(87,904)	13,911,615
Past due 1 – 30 days	1,793,618	(108,279)	1,685,339
Past due 31 – 60 days	504,387	(42,724)	461,663
Past due more than 60 days	595,699	(562,136)	33,563
	16,893,223	(801,043)	16,092,180
Credit impaired			
Individually impaired	6,126	(6,126)	-
	16,899,349	(807,169)	16,092,180
Company			
2019			
Not past due	13,312,938	(87,904)	13,225,034
Past due 1 – 30 days	1,704,002	(209,095)	1,494,907
Past due 31 – 60 days	401,848	(143,158)	258,690
Past due more than 60 days	1,213,183	(360,886)	852,297
	16,631,971	(801,043)	15,830,928
Credit impaired			
Individually impaired	1,486	(1,486)	-
	16,633,457	(802,529)	15,830,928

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Group RM	Company RM
Balance at 1 May 2018 as per MFRS 9	557,250	557,250
Individually impaired	6,126	1,486
Impairment loss	243,793	243,793
Balance at 30 April 2019	807,169	802,529
Individually impaired	847,790	847,790
Reversal of impairment loss	(2,190)	-
Impairment loss	295,536	291,285
Balance at 30 April 2020	1,948,305	1,941,604

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Other receivables

Credit risks on other receivables are mainly arising from the amounts due from the Group's and the Company's existing long-term business partner and suppliers and deposits paid for office buildings and utilities. The Group and the Company monitor the payments of these partner and suppliers regularly and is confident of the ability of the partner and suppliers to repay the balances owing. The deposits will be received at the end of each contractual terms.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, except for total balances of RM982,179 (2019: RM27,759) which are deemed not recoverable and impaired, the Group and the Company did not recognise any allowance for impairment losses.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Credit risk (continued)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

The Group provides unsecured loans and advances to an associate. The Group monitors the results of the associate regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Impairment losses

As at the end of the reporting period, except for a balance of RM1,700,417 (2019: RM1,700,417) due from a subsidiary which is deemed not recoverable and fully impaired, there was no indication that the loans and advances to the subsidiaries are not recoverable.

29.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
Group							
2020							
Non-derivative financial liabilities							
Lease liabilities	5,055,557	5.60%	5,578,706	1,859,473	1,463,065	2,233,568	22,600
Trade and other payables	44,107,470	-	44,107,470	44,107,470	-	-	-
	49,163,027		49,686,176	45,966,943	1,463,065	2,233,568	22,600
Company							
2020							
Non-derivative financial liabilities							
Lease liabilities	148,306	5.60%	160,000	60,000	60,000	40,000	-
Hire purchase liabilities due to a subsidiary	297,456	3.25% - 4.50%	316,235	187,909	128,326	-	-
Trade and other payables	27,169,774	-	27,169,774	27,169,774	-	-	-
	27,615,536		27,646,009	27,417,683	188,326	40,000	-

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.5 Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (continued)

	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
Group							
2019							
Non-derivative financial liabilities							
Bankers' acceptances – unsecured	289,000	4.27%	289,000	289,000	-	-	-
Trade and other payables	38,536,190	-	38,536,190	38,536,190	-	-	-
	38,825,190		38,825,190	38,825,190	-	-	-
Company							
2019							
Non-derivative financial liabilities							
Bankers' acceptances – unsecured	289,000	4.27%	289,000	289,000	-	-	-
Hire purchase liabilities due to a subsidiary	518,376	3.25% - 4.50%	563,906	228,891	202,116	132,899	-
Trade and other payables	16,262,306	-	16,262,306	16,262,306	-	-	-
	17,069,682		17,115,212	16,780,197	202,116	132,899	-

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

29.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and cash and cash equivalents that are denominated in a currency other than the respective functional currencies of Group entities and of the Company. The currencies giving rise to these risks are primarily Chinese Renminbi ("RMB"), U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Hong Kong Dollar ("HKD"), Indonesia Rupiah ("RP"), Pound Sterling ("GBP"), Euro ("EUR"), and Taiwan New Dollar ("TWD").

Risk management objectives, policies and processes for managing the risk

The Group and the Company hold cash and cash equivalents denominated in foreign currencies for working capital purposes. The Group and the Company did not enter into any forward foreign exchange contracts in the current and previous financial years.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Group entities and the Company) risk, based on carrying amounts as at the end of the reporting period was:

Balances recognised in the statement of financial position	**Trade and other receivables RM**	**Cash and cash equivalents RM**	**Trade and other payables RM**
Group			
2020			
Chinese Renminbi	1,522,291	3,695,685	(1,330,463)
U.S. Dollar	178,236	2,194,467	(1,956,710)
Singapore Dollar	920,889	60,626	-
Indonesia Rupiah	195,736	-	-
Pound Sterling	-	-	(326,011)
Euro	-	-	(95,046)
Net exposure	2,817,152	5,950,778	(3,708,230)
Company			
2020			
Chinese Renminbi	1,522,291	3,680,362	(891,154)
U.S. Dollar	178,236	242,197	(1,434,433)
Singapore Dollar	920,889	-	-
Pound Sterling	-	-	(171,523)
Net exposure	2,621,416	3,922,559	(2,497,110)

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.6 Market risk (continued)

29.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

Balances recognised in the statement of financial position	Trade and other receivables RM	Cash and cash equivalents RM	Trade and other payables RM
Group			
2019			
Chinese Renminbi	171,598	3,589,044	(957,928)
U.S. Dollar	412,703	2,675,756	(1,924,646)
Singapore Dollar	836,555	67,913	-
Taiwan New Dollar	-	-	(250)
Pound Sterling	-	-	(168,739)
Net exposure	1,420,856	6,332,713	(3,051,563)
Company			
2019			
Chinese Renminbi	103,946	3,589,044	(151,675)
U.S. Dollar	353,379	662,565	(602,321)
Singapore Dollar	836,555	-	-
Pound Sterling	-	-	(168,739)
Net exposure	1,293,880	4,251,609	(922,735)

Currency risk sensitivity analysis

Foreign currency risk mainly arises from transactions of the Group and the Company which are denominated in RMB, USD and SGD. The exposure to currency risk of currencies other than RMB, USD and SGD is not material and hence, sensitivity analysis is not presented.

A 5% (2019: 5%) strengthening of RM against the following currencies at the end of the reporting period would have decreased/(increase) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
RMB	147,725	106,503	163,837	134,570
USD	15,808	44,225	(38,532)	15,718
SGD	37,298	34,370	34,994	31,789

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.6 Market risk (continued)

29.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

A 5% (2019: 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

29.6.2 Interest rate risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company borrow in their desired currencies at both fixed and floating rates of interest.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fixed rate instruments				
Financial assets	46,758,375	35,811,666	15,800,754	6,198,173
Financial liabilities	-	(289,000)	(297,456)	(807,376)
	46,758,375	35,522,666	15,503,298	5,390,797

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.6 Market risk (continued)

29.6.3 Other price risk

Equity price risk arises from the Group's and the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis which are managed by financial institutions. All buy and sell decisions are approved by the Directors of the Group entities.

Equity price risk sensitivity analysis

As the Group and the Company have minimal equity investments, the Directors are of the view that the effects of equity price fluctuations within a reasonably possible range for the quoted investments will not have a significant impact on the earnings of the Group and of the Company. Hence, sensitivity analysis is not presented.

29.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of non-current trade receivables and hire purchase liabilities due to a subsidiary also reasonably approximate fair values upon discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets and liabilities.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
Group										
2020										
Financial assets										
Quoted shares	333	-	-	333	-	-	-	-	333	333
Unquoted shares	-	-	11,920	11,920	-	-	-	-	11,920	11,920
Unit trusts	-	37,919,918	-	37,919,918	-	-	-	-	37,919,918	37,919,918
	333	37,919,918	11,920	37,932,171	-	-	-	-	37,932,171	37,932,171
Company										
2020										
Financial assets										
Unit trusts	-	6,162,695	-	6,162,695	-	-	-	-	6,162,695	6,162,695
	-	6,162,695	-	6,162,695	-	-	-	-	6,162,695	6,162,695
Group										
2019										
Financial assets										
Quoted shares	505	-	-	505	-	-	-	-	505	505
Unquoted shares	-	-	11,920	11,920	-	-	-	-	11,920	11,920
Unit trusts	-	41,321,096	-	41,321,096	-	-	-	-	41,321,096	41,321,096
	505	41,321,096	11,920	41,333,521	-	-	-	-	41,333,521	41,333,521
Company										
2019										
Financial assets										
Unit trusts	-	6,554,667	-	6,554,667	-	-	-	-	6,554,667	6,554,667
	-	6,554,667	-	6,554,667	-	-	-	-	6,554,667	6,554,667

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.7 Fair value information (continued)

Level 1 fair value

The fair value of quoted shares is derived from quoted price (unadjusted) by reference to the stock exchange which they are listed on.

Level 2 fair value

The fair value of unit trusts is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2019: no transfer in either direction).

Level 3 fair value

The fair value of unquoted shares is derived from the adjusted net asset of the investee companies' financial statements.

30. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group has a strong cash pool and hence does not rely on any significant loans and borrowings.

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

31. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Capital expenditure commitments				
Property, plant and equipment				
Approved, contracted but not provided for	764,334	535,873	4,000	533,806
	764,334	535,873	4,000	533,806

32. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

The Group has related party relationship with its significant investors, subsidiaries, associates, a joint venture and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Notes 11 and 18.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
A. Subsidiaries				
Sale of goods	-	-	(56,776,688)	(69,065,428)
Purchase of goods	-	-	2,065,284	2,267,853
Dividend income	-	-	(39,640,700)	(51,467,400)
Interest expense on hire purchase	-	-	26,750	41,208
Management fees income	-	-	(1,083,600)	(1,083,600)
Rental income from properties	-	-	(1,739,610)	(1,306,368)
Advertising and promotion expense	-	-	5,332,660	4,433,226
B. Joint venture				
Sale of goods	(982,685)	(850,465)	(13,269)	(16,732)
Rental income from properties	(348,754)	(309,385)	(348,754)	(309,385)
C. Key management personnel *				
Directors of the Company:				
- Fees	276,000	278,250	230,000	224,250
- Remuneration	3,886,941	3,987,264	2,629,934	2,745,242
	4,162,941	4,265,514	2,859,934	2,969,492
Directors of subsidiaries:				
- Fees	44,000	70,000	-	-
- Remuneration	541,390	642,589	-	-
	585,390	712,589	-	-
Total short-term employee benefits	4,748,331	4,978,103	2,859,934	2,969,492

* Excludes Benefit-In-Kind

33. BUSINESS COMBINATIONS

2020

33.1 Acquisition of non-controlling interests

On 10 June 2019, a subsidiary of the Group – Yan Ou Holdings (M) Sdn. Bhd. ("YOH") has acquired the remaining 100,000 shares of RM0.80 each in its subsidiary – Yan Ou Marketing (Intl) Sdn. Bhd. ("YOM") from non-controlling owners for a total cash consideration of RM80,000. The acquisition increased the equity interest in YOM from 90% to 100%. Pursuant to the acquisition, the Group's effective interest over YOM via YOH increased from 54% to 60%.

During the financial year, the Company acquired additional 71,000 shares of RM2.80 each in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM198,800. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 63.67% to 66.03%.

The Group recognised a decrease in non-controlling interests of RM577,579 and an increase in retained earnings of RM298,779 in respect of the above transactions.

33.2 Disposal of subsidiaries

In November 2019 and February 2020, the Group disposed two subsidiaries in Multi-level marketing and another non-reportable segment respectively.

Effect of disposal on the financial position of the Group

Group	PT Hai-O Indonesia RM	2020 Seagull Technology (Beijing) Co. Ltd. RM	Total RM
Property, plant and equipment	69,877	-	69,877
Inventories	1,053,674	-	1,053,674
Other receivables	72,802	-	72,802
Cash and cash equivalents	113,201	1,066,055	1,179,256
Trade and other payables	(3,402,434)	(60,063)	(3,462,497)
Current tax liabilities	(134,729)	-	(134,729)
Net assets and (liabilities)	(2,227,609)	1,005,992	(1,221,617)
Non-controlling interest derecognised	800,438	-	800,438
Realisation of foreign exchange reserve arising from disposal of subsidiaries	240,119	126,319	366,438
Gain/(Loss) on disposal of subsidiaries	1,237,052	(126,319)	1,110,733
Consideration received, satisfied in cash	50,000	1,005,992	1,055,992
Cash and cash equivalents disposed of	(113,201)	(1,066,055)	(1,179,256)
Net cash outflow	(63,201)	(60,063)	(123,264)

33. BUSINESS COMBINATIONS (CONTINUED)

2019

33.3 Acquisition of non-controlling interests

During previous financial year, the Company acquired additional 5,000 shares at RM2.80 each in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM14,000. The acquisition increased the equity interest of the Company in Hai-O Raya Bhd. from 63.50% to 63.67%.

The Group recognised a decrease in non-controlling interests of RM49,274 and an increase in retained earnings of RM35,274 in respect of the above transactions.

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 May 2019.

As a lessee

Where the Group and the Company is a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 May 2019.

At 1 May 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 May 2019. The weighted-average rate applied is 5.6%. Right-of-use assets are measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 May 2019.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 May 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 May 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

34.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 May 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 30 April 2019, and lease liabilities recognised in the statement of financial position at 1 May 2019.

	Group RM	Company RM
Operating lease commitments at 30 April 2019 as disclosed in the Group's consolidated financial statements	3,393,390	100,000
Discounted using the incremental borrowing rate at 1 May 2019	3,043,844	85,192
Extension and termination options reasonably certain to be exercised	3,817,891	113,274
Lease liabilities recognised at 1 May 2019	6,861,735	198,466

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 103 to 181 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 April 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Keng Kang
Director

Hew Von Kin
Director

Kuala Lumpur

Date: 3 August 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Tan Keng Kang**, the Director primarily responsible for the financial management of Hai-O Enterprise Berhad, do solemnly and sincerely declare that the financial statements set out on pages 103 to 181 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Tan Keng Kang, NRIC: 760601-14-5689, at Kuala Lumpur in the Federal Territory on 3 August 2020.

Tan Keng Kang

Before me:
Samugam Vassoo (W632)
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAI-O ENTERPRISE BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Hai-O Enterprise Berhad, which comprise the statements of financial position as at 30 April 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 103 to 181.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 April 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition in the Appropriate Accounting Period

Refer to Note 2(o)(i) – Significant accounting policy: Revenue and other income; Note 21 – Revenue and Note 28 – Operating segments.

The key audit matter

The Group's multi-level marketing segment is engaged in the business of direct selling of health food and beverages, healthcare products, wellness and beauty products. This segment is the largest revenue contributor on the statements of profit or loss and other comprehensive income, at RM156,716,105 for the financial year ended 30 April 2020.

The sales volume tends to be high towards the end of incentive trip promotion period should the promotion period ended coincide with the financial year. Revenue is being recognised when goods sold to members are being recorded in the system by the stockists. There is a risk that goods ordered by members were not delivered to them as at the end of the financial year, thereby causing revenue to be overstated.

KEY AUDIT MATTERS (CONTINUED)

Revenue Recognition in the Appropriate Accounting Period (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We tested the configurations of the IT application controls relating to the Group's system. We assessed the relevant reports generated by the system that evidences whether goods ordered by members were delivered as at the end of the financial year.
- Based on the reports, we evaluated whether sales are recognised in the correct accounting period by testing selected samples of sales to acknowledged tax invoices.
- We sent confirmations to stockists and branches on a sampling basis to evaluate the balance of goods held by them.

Valuation of inventories

Refer to Note 2(h) – Significant accounting policy: Inventories and Note 13 – Inventories.

The key audit matter

The Group and the Company hold a large amount of inventories to cater for their Retail, Wholesale and Multi-level Marketing business. Inventories represented one of the largest category of assets on the statements of financial position, at RM93,330,813 and RM42,406,015 respectively, as at 30 April 2020.

Assessing net realisable value is an area of significant judgement, in particular with regards to the estimation of allowances for slow moving and obsolete inventories.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained the stock movement reports prepared by management and tested the accuracy of the data compiled by management.
- Based on the stock movement reports, for inventories with substantial movement during the financial year, we evaluated whether these inventories are stated at the lower of cost and net realisable value by comparing the cost of these inventories to their selling prices in the sales invoices.
- For inventories with no/minimal movements for the financial year, we assessed and challenged the management on the sufficiency of allowance made for stocks.
- For inventories which have expired, we tested whether these inventories have been written off.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON (CONTINUED)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with the approved standards on auditing in Malaysia and International Standards on Auditing.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Lam Shuh Siang
Approval Number: 03045/02/2021 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 3 August 2020

ANALYSIS OF SHAREHOLDINGS

AS AT 3 AUGUST 2020

Number of Shares Issued	: 300,297,890 ordinary shares (inclusive of 10,104,488 treasury shares)
Issued Share Capital	: RM157,256,450.00
Class of Shares	: Ordinary shares
Voting Rights	: One vote per share

Analysis of Shareholdings

Size of Holdings	No. of Shareholders	No. of Shares	% of Shares
Less than 100	1,044	26,178	0.01
100 - 1,000	2,049	1,188,805	0.41
1,001 - 10,000	6,277	27,324,490	9.42
10,001 - 100,000	2,184	59,410,498	20.47
100,001 – 14,509,670 (Less than 5% of issued shares*)	229	133,006,340	45.83
14,509,671 and above (5% and above of issued shares*)	3	69,237,091	23.86
Total excludes Treasury Shares	**11,786**	**290,193,402**	**100.00**

Note:

* *Excluding a total of 10,104,488 shares bought back by Hai-O and retained as treasury shares as at 3 August 2020.*

THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares	% of Shares
1. Tan Kai Hee	30,195,799	10.41
2. Akintan Sdn. Bhd.	23,492,613	8.10
3. Excellant Communication Sdn. Bhd.	15,548,679	5.36
4. Tan Keng Kang	12,388,320	4.27
5. Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chia Kee Siong	9,746,072	3.36
6. Atlantis Marque Sdn. Bhd.	9,000,000	3.10
7. Daritan Sdn. Bhd.	4,861,710	1.68
8. Key Development Sdn. Berhad	3,750,000	1.29
9. Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Chong Soon (E-KPG)	3,000,000	1.03
10. Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chen Tam Chai	2,973,400	1.02
11. Citigroup Nominees (Asing) Sdn. Bhd. Exempt An For Citibank New York (Norges Bank 1)	2,859,600	0.99
12. Tan Puah Khin @ Tan Puan Hee	2,730,021	0.94
13. Chin Chin Sing @ Tan Cheng Beng	2,528,143	0.87
14. Ong Geck Eng	2,193,146	0.76

THIRTY LARGEST SHAREHOLDERS (CONTINUED)

Name	No. of Shares	% of Shares
15. Chong Foong Foong	2,022,921	0.70
16. Oon Teik Chye	1,999,350	0.69
17. Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lee Yoke Fong	1,958,603	0.67
18. Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Nomura)	1,788,800	0.61
19. Tan Keng Song	1,715,320	0.59
20. Citigroup Nominees (Asing) Sdn. Bhd. CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,667,800	0.57
21. Kong Chew Fa	1,610,900	0.56
22. Huang, Chin-Chueh	1,603,727	0.55
23. Milo McConaghy	1,536,000	0.53
24. Amy McConaghy	1,533,678	0.53
25. Lim Siew Oon	1,355,184	0.47
26. RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chia Kuo Wui (CEB)	1,327,100	0.46
27. Teoh Jun Seong	1,300,000	0.45
28. HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	1,280,000	0.44
29. Soh Choo @ Soh Ai Choo	1,265,432	0.43
30. UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	1,080,852	0.37
Total	**150,313,170**	**51.80**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(According to the Register of Substantial Shareholders as at 3 August 2020)

	Direct Holdings		Indirect Holdings	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
1. Tan Kai Hee	30,195,799	10.41	43,303,706 (note a)	14.92
2. Akintan Sdn. Bhd.	23,492,613	8.10	-	-
3. Excellant Communication Sdn. Bhd.	15,548,679	5.36	-	-
4. Tan Keng Kang	12,388,320	4.27	61,111,185 (note b)	21.06
5. Tan Keng Song	1,715,320	0.59	72,519,178 (note c)	24.99
6. Phan Van Denh	845,743	0.29	72,653,762 (note d)	25.04

DIRECTORS' SHAREHOLDINGS

(According to the Register of Directors' Shareholdings as at 3 August 2020)

	Direct Holdings		Indirect Holdings	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
1. Tan Kai Hee	30,195,799	10.41	43,303,706 (note a)	14.92
2. Tan Keng Kang	12,388,320	4.27	61,111,185 (note b)	21.06
3. Hew Von Kin	401,152	0.14	-	-
4. Chia Kuo Wui	1,381,301	0.48	-	-
5. Tan Kim Siong	52,000	0.02	7,500 (note e)	0.003
6. Soon Eng Sing	50,000	0.02	-	-
7. Tan Beng Ling	-	-	-	-
8. Professor Hajjah Ruhanas Binti Harun	-	-	-	-
9. Ng Chek Yong	-	-	-	-

a) Deemed interested by virtue of his substantial interest in Akintan Sdn. Bhd. and Daritan Sdn. Bhd. and through the direct and indirect interest of his family members in Hai-O respectively.
b) Deemed interested through the direct and indirect interest of his family members in Hai-O.
c) Deemed interested through the direct and indirect interest of her family members in Hai-O.
d) Deemed interested through the direct and indirect interest of her spouse.
e) Deemed interested through the direct and indirect interest of his spouse.

In the subsidiaries

By virtue of their interests in shares in the Company. Tan Kai Hee and Tan Keng Kang are also deemed to be interested in the ordinary shares of the subsidiaries to the extent the Company has an interest.

Interests in subsidiary company, Hai-O Raya Bhd

(According to the Register of Directors' Shareholdings as at 3 August 2020)

	Direct Holdings		Indirect Holdings	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
1. Tan Kai Hee	34,000	1.13	77,000 (note f)	2.57
2. Tan Keng Kang	16,000	0.53	95,000 (note g)	3.17
3. Hew Von Kin	3,000	0.10	-	-

f) Deemed interested by virtue of his interest in Daritan Sdn. Bhd. and through the direct and indirect interest of his family members in Hai-O Raya Bhd. respectively.
g) Deemed interested through the direct and indirect interest of his family members in Hai-O Raya Bhd.

TOP 10 PROPERTIES

AS AT 30 APRIL 2020

No.	Location	Description	Date of Acquisition	Land/Floor Area (sg.ft.)	Tenure	Existing Use	Age (year)	Date of Expiry	Net book value as at 30/04/2020 (RM)
1.	Lot 3202, 3203, 3204, 3205, 3206, 6724 and 44128 3 1/4 mile, Jalan Kapar 41400 Klang, Selangor	Industrial premises comprises of 8 buildings and some miscellaneous structures and other land improvements	21 Dec 2007	1,216,220	Freehold	Office, warehouse & a portion being left as vacant land	Range from 16 to 51	-	42,890,812
2.	Geran 7155/M1 Sun Kompleks, Jalan Bukit Bintang 55100 Kuala Lumpur	Shoplots, Office lots at Ground, 1st, 6th, 8th & 9th floor, 4 units of apartments & 284 number of car park bays (2nd - 6th floor)	22 Aug 1995, 29 Dec 1997, 01 May 1999 & 05 Feb 2001	86,721	Freehold	Shoplots, Offices, Residential & Car park	42	-	15,455,085
3.	GM 18673, Lot 17874, No. 1388, Mukim Kapar, Jalan Kapar, Batu 2, 41400 Klang, Selangor	2 single storey detached buildings	14 Sept 2010	118,422	Freehold	Office & Warehouse	10	-	13,176,474
4	Geran 60815 - Lot 4093, Geran 74962 - Lot 1802, Geran 17405 - Lot 1791, Geran 74980 - Lot 4114, Mukim Setul, Daerah Seremban, Negeri Sembilan	Land	03 June 2014	1,145,268	Freehold	Orchard farm	6	-	9,101,916
5.	HS(M) 9019 Lot P.T. 11995, Mukim of Kapar, 1 1/2 Miles, 41400 Klang, Selangor	Factory/ Warehouse & 6 storey building	05 June 1982 & 20 Sept 1997	100,804	Freehold	Office & Warehouse	37 & 23	-	8,672,079
6.	Geran 21337 - Lot 113, Geran 21338 - Lot 114, Geran 20431 - Lot 204, Geran 20432, Lot 205, Daerah Melaka Tengah, Kawasan Bandar XX, No. 53A & 53B, Jalan Bendahara, No. 48A, Jalan Bunga Raya, No. 41A & 41B, Jalan Bendahara, 75100 Melaka	5 contiguous units of 5 storey terraced shop houses/ office and a single storey warehouse	10 August 2017	14,689	Freehold	Shoplot, warehouse & a portion is vacant	Range from 32 to 42	-	6,178,023
7.	PN 10263, Lot 39828, Mukim Kuala Lumpur, No. 19, 19-M, 19-1 & 19-2, Jalan 2/90, Taman Pertama, 56100 Cheras, Kuala Lumpur	3 storey shop office (with mezzanine floor)	15 May 2017	1,539	Leasehold for 99 years	Shop	42	29 Sept 2077	3,062,379
8.	Geran 502799 Lot 198459, Geran 502800 Lot 198460, Mukim Plentong, No. 103 & 105, Jalan Tanjong 1, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor.	2 units of 3 storey shop office	22 June 2016	9,900	Freehold	Shop	7	-	2,770,093
9.	Garden City Business Centre PT 15752, Unit No. C01/2 - C12/2 Phase 2B Taman Dagang Jalan Ampang, 68000 Kuala Lumpur	12 units of office lots (2nd floor)	20 Oct 1995	18,708	Leasehold for 99 years	Offices	25	20 Oct 2084	2,385,906
10.	Master title no. NT213206501, Unit No.5, Ground, First & Second Floor I-Plaza Commercial Centre, 89500 Penampang, Sabah	1 unit 3 storey shop office	28 Sept 2016	3,012	Leasehold for 99 years	Shop	5	31 Dec 2110	2,065,058

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 45th Annual General Meeting ("45th AGM") of the Company will be held on a fully virtual basis at Lot 6.03, 6th Floor, Menara Hai-O, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia ("Broadcast Venue") on Thursday, 1 October 2020 at 11:30 a.m. to transact the following businesses: -

AGENDA

1. To lay before the Meeting the Audited Financial Statements for the financial year ended 30 April 2020 and the Reports of the Directors and Auditors thereon. **Refer to Explanatory Note**

2. To re-elect the following Directors who are retiring by rotation pursuant to Clause 119 of the Company's Constitution:-
   i. Mr. Tan Keng Kang **Resolution 1**
   ii. Mr. Chia Kuo Wui **Resolution 2**
   iii. Mr. Tan Kim Siong **Resolution 3**

3. i. To approve the payment of Directors' fees amounting to RM230,000 for the financial year ended 30 April 2020. **Resolution 4**
   ii. To approve the payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM800,000 from 2 October 2020 until the next Annual General Meeting of the Company. **Resolution 5**

4. To declare a final single tier dividend of 4 sen per ordinary share for the financial year ended 30 April 2020. **Resolution 6**

5. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

   As Special Business: -

6. To consider and if thought fit, to pass the following ordinary resolutions: -

   ORDINARY RESOLUTION I

   i. To authorise the allotment and issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016:- Resolution 8

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit and in the interest of the Company, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

   ORDINARY RESOLUTION II

   ii. Proposed Renewal of Share Buy-Back Authority Resolution 9

   "THAT subject to the rules, regulations and orders made pursuant to the Companies Act 2016 ("the Act"), provisions of the Company's Constitution and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Board be and is hereby authorised to purchase the Company's shares ("Hai-O Shares") through Bursa Securities ("Proposed Share Buy-Back") subject to the following:-

a. the maximum number of Hai-O Shares which may be purchased and/or held as treasury shares by the Company at any point in time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company;

b. the maximum fund to be allocated by the Company for the purpose of purchasing the Hai-O Shares shall not exceed the aggregate of the retained profits of the Company;

c. the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at the conclusion of the next Annual General Meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions or the expiration of the period within which the next Annual General Meeting is required by law to be held or the authority is revoked or varied by an ordinary resolution of the shareholders of the Company at a general meeting, whichever is the earlier, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements of Bursa Securities or any other relevant authorities; and

d. upon completion of the purchase(s) of the Hai-O Shares by the Company, the Board be and is hereby authorised to retain the Hai-O Shares so purchased as treasury shares, of which may be distributed as dividends to shareholders and/or re-sold on Bursa Securities and/or subsequently cancelled and in other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT the Board be and is hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Hai-O Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

7. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the 45th AGM to be held on 1 October 2020, a final single tier dividend of 4 sen per ordinary share in respect of the financial year ended 30 April 2020 will be paid on 19 November 2020. The entitlement date for the dividend payment is on 9 November 2020.

A Depositor shall qualify for the entitlement to the dividend only in respect of: -

(a) Securities transferred into the Depositor's Securities Account before 4:30 p.m. on 9 November 2020 in respect of transfers; and
(b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Cynthia Gloria Louis (SSM PC No. 201908003061) (MAICSA 7008306)
Chew Mei Ling (SSM PC No. 201908003178) (MAICSA 7019175)
Company Secretaries

Selangor Darul Ehsan
26 August 2020

Notes:
1. As part of the initiatives to curb the spread of COVID-19 and the Government of Malaysia's official guidance on physical distancing, the 45th AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting facilities ("RPV"). Please refer to the Administrative Guide for the 45th AGM on the conduct of a fully virtual meeting and follow the procedures provided in the Administrative Guide to register, participate and vote remotely via the RPV facilities.
2. The venue of the 45th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. The venue of the 45th AGM is to inform shareholders where the virtual 45th AGM production and streaming would be conducted from. NO SHAREHOLDER(S)/ PROXY(IES) from the public will be allowed to be physically present at the Broadcast Venue.
3. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 24 September 2020 (General Meeting Record of Depositors) shall be entitled to register, speak, participate and vote remotely at this virtual 45th AGM.
   As guided by the Securities Commission's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers that was issued on 18 April 2020, subsequently revised on 14 May 2020, 11 June 2020, 18 June 2020, 24 June 2020 and 15 July 2020, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the Meeting via real time submission of typed texts during the live streaming of the Meeting as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders and proxies may email their questions to BSR.Helpdesk@boardroomlimited.com during the Meeting. The questions and/or remarks submitted by the shareholders and/or proxies will be responded by the Chairman/Board/relevant advisers during the Meeting. In the event of any unattended questions and/or remarks submitted, the Company will respond to the said unattended questions and/or remarks after the Meeting via email.
4. A member entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to participate and vote instead of him save for a member who is an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 and holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which such member may appoint in respect of each omnibus account it holds. There shall be no restriction as to the qualification of the proxy and a proxy duly appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holding(s) to be represented by each proxy.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
7. The appointment of proxy may be made in a hard copy form or by electronic means, not less than forty-eight (48) hours before the time for holding the AGM or at any adjournment thereof, as follows:
   (i) In hard copy form - The original instrument appointing a proxy ("Form of Proxy") must be deposited at the Company's Share Registrar's Office, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
   (ii) By electronic means - The Form of Proxy can also be lodged electronically with the Share Registrar of the Company through Boardroom Smart Investor Online Portal at www.boardroomlimited.my or email to BSR.Helpdesk@boardroomlimited.com. Please follow the procedures provided in the Administrative Guide for the 45th AGM for submission of the Form of Proxy electronically.
8. If you have submitted your Form(s) of Proxy and subsequently decide to appoint another person or wish to participate in our virtual 45th AGM by yourself, please write in to BSR.Helpdesk@boardroomlimited.com to revoke the earlier appointed proxy not less than forty-eight (48) hours before the meeting.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by way of poll.

Explanatory Notes to Ordinary and Special Business

Item 1 of the Agenda

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the audited financial statements. Hence, this item 1 of the Agenda is not put forward for voting.

Ordinary Resolution 4 - Directors' fees
Ordinary Resolution 5 - Directors' remuneration and benefits

The Directors' remuneration and benefits (excluding Directors' fees) comprises emoluments and other benefits payable to the Non-Executive Directors from 2 October 2020 until the next Annual General Meeting of the Company. For newly appointed Non-Executive Director(s), the Directors' remuneration and benefits (excluding Directors' fees) are payable from the date of the respective appointment(s) during the year. The remuneration and benefits are recommended to commensurate with the Directors' commitment, experience and expertise for discharging their duties.

Description	**Emoluments and other benefits**
Fixed Allowance	Approximately RM50,000 per month in total
Meeting attendance allowance	RM1,000 per day basis
Board Committee Chairman Member	 RM24,000 to RM36,000 per annum RM12,000 to RM24,000 per annum
Other benefits	Group Medical & Personal Accident and Corporate Liability Insurance, training benefits, Employer's Statutory Contribution, ESOS and other benefits

Payment of the Directors' fees for the financial year ended 30 April 2020 amounting to RM230,000 will be made by the Company if the proposed Ordinary Resolution 4 is passed at the forthcoming Annual General Meeting.

Payment of the Directors' remuneration and benefits will be made by the Company as and when incurred if the proposed Ordinary Resolution 5 is passed.

Ordinary Resolution 8 – Mandate to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Directors did not issue any new shares pursuant to the existing Mandate which will lapse at the conclusion of the 45th AGM.

The proposed resolution is to seek members' approval to renew the mandate given by them at the 44th Annual General Meeting to issue new shares pursuant to Sections 75 and 76 of the Companies Act 2016. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. The authority will provide flexibility to the Company for any possible fund-raising activities, including but not limited to placement of shares, funding for future investment project(s) and/or business expansion and/or working capital and/or acquisitions or the issuance of shares as a consideration for the acquisition of assets.

Ordinary Resolution 9 - Proposed Renewal of Share Buy-Back Authority

The Ordinary Resolution, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company at a general meeting, expire at the next Annual General Meeting. For further information on the Proposed Share Buy-Back, please refer to the Share Buy-Back Statement dated 26 August 2020 accompanying the Annual Report 2020.

PERSONAL DATA PRIVACY

By lodging of a completed Form of Proxy to the Share Registrar of the Company for appointing a proxy(ies) and/ or representative(s) to participate and vote remotely at the virtual 45th AGM and any adjournment thereof, a member of the Company is hereby:

1) consented to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 45th AGM (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 45th AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "Purposes");
2) warranted that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes ("Warranty"); and
3) agreed that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the Warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Following is the statement made pursuant to paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad:-

1) Directors who are standing for re-election at the 45th AGM of the Company, are as follows: -

   i) The Directors who are retiring by rotation pursuant to Clause 119 of the Company's Constitution and seeking re-election, are: -
      - Mr. Tan Keng Kang
      - Mr. Chia Kuo Wui
      - Mr. Tan Kim Siong

   The details of the three (3) Directors seeking for re-election are set out in the Directors' profiles appearing on pages 8 and 11 of the Annual Report.

2) Details of attendance of Directors at Board Meetings held during the financial year ended 30 April 2020 are set out on page 94 of the Annual Report.

3) Broadcast Venue, Date and Time of the 45th AGM are as follows: -

Broadcast Venue	:	Lot 6.03, 6th Floor, Menara Hai-O, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.
Date	:	1 October 2020 (Thursday)
Time	:	11:30 a.m.

FORM OF PROXY

HAI-O ENTERPRISE BERHAD
Registration No. 197501000919 (22544-D)
(Incorporated in Malaysia)

CDS Account No.	
No. of ordinary shares held	

I/We____

NRIC No. (New) __________________ (Old) ______________ / Company No. ____________

of____

being a member / members of **HAI-O ENTERPRISE BERHAD** hereby appoint the following person(s):-

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
*And/ or failing him/ her (delete as appropriate)			

For a member who is an authorised nominee with omnibus account, please state the details of the proxies as above if more than two (2) on your letterhead and to attach the same to this Form of Proxy.

or failing him/her/them, THE CHAIRMAN OF THE MEETING, as my/our proxy/proxies, to vote for me/us on my/our behalf at the **45th Annual General Meeting** of the Company will be held on a fully virtual basis at Lot 6.03, 6th Floor, Menara Hai-O, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia ("Broadcast Venue") on Thursday, 1 October 2020 at 11.30 a.m. and at any adjournment thereof in the manner as indicated below in respect of the following Resolutions:-

RESOLUTIONS		FOR	AGAINST
Resolution 1	Re-election of Mr. Tan Keng Kang as a Director.		
Resolution 2	Re-election of Mr. Chia Kuo Wui as a Director.		
Resolution 3	Re-election of Mr. Tan Kim Siong as a Director.		
Resolution 4	Approval for the payment of Directors' fees for the financial year ended 30 April 2020.		
Resolution 5	Approval for the payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors from 2 October 2020 until the next Annual General Meeting of the Company.		
Resolution 6	Declaration of a final single tier dividend of 4 sen per ordinary share.		
Resolution 7	Re-appointment of Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 8	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Resolution 9	Proposed Renewal of Share Buy-Back Authority.		

Please indicate with an "X" in the appropriate space how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy may vote or abstain from voting at his/her/their discretion.

Date: ________________

____
Signature of Shareholder(s)

Notes:

1. As part of the initiatives to curb the spread of COVID-19 and the Government of Malaysia's official guidance on physical distancing, the 45th AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting facilities ("RPV"). Please refer to the Administrative Guide for the 45th AGM on the conduct of a fully virtual meeting and follow the procedures provided in the Administrative Guide to register, participate and vote remotely via the RPV facilities.
2. The venue of the 45th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. The venue of the 45th AGM is to inform shareholders where the virtual 45th AGM production and streaming would be conducted from. NO SHAREHOLDER(S)/ PROXY(IES) from the public will be allowed to be physically present at the Broadcast Venue.

FOLD THIS FLAP FOR SEALING

3. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 24 September 2020 (General Meeting Record of Depositors) shall be entitled to register, speak, participate and vote remotely at this virtual 45th AGM.
   As guided by the Securities Commission's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers that was issued on 18 April 2020 and subsequently revised on 14 May 2020, 11 June 2020, 18 June 2020, 24 June 2020 and 15 July 2020, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the Meeting via real time submission of typed texts during the live streaming of the Meeting as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders and proxies may email their questions to BSR.Helpdesk@boardroomlimited.com during the Meeting. The questions and/or remarks submitted by the shareholders and/or proxies will be responded by the Chairman/Board/relevant advisers during the Meeting. In the event of any unattended questions and/or remarks submitted, the Company will respond to the said unattended questions and/or remarks after the Meeting via email.
4. A member entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to participate and vote instead of him save for a member who is an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 and holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which such member may appoint in respect of each omnibus account it holds. There shall be no restriction as to the qualification of the proxy and a proxy duly appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holding(s) to be represented by each proxy.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
7. The appointment of proxy may be made in a hard copy form or by electronic means, not less than forty-eight (48) hours before the time for holding the AGM or at any adjournment thereof, as follows:
   (i) In hard copy form - The original instrument appointing a proxy ("Form of Proxy") must be deposited at the Company's Share Registrar's Office, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
   (ii) By electronic means - The Form of Proxy can also be lodged electronically with the Share Registrar of the Company through Boardroom Smart Investor Online Portal at www.boardroomlimited.my or email to BSR.Helpdesk@boardroomlimited.com. Please follow the procedures provided in the Administrative Guide for the 45th AGM for submission of the Form of Proxy electronically.
8. If you have submitted your Form(s) of Proxy and subsequently decide to appoint another person or wish to participate in our virtual 45th AGM by yourself, please write in to BSR.Helpdesk@boardroomlimited.com to revoke the earlier appointed proxy not less than forty-eight (48) hours before the meeting.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by way of poll.

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AFFIX
STAMP

Hai-O Enterprise Berhad
Registration No. 197501000919 (22544-D)

The Share Registrar
Boardroom Share Registrars Sdn. Bhd.
Registration No.199601006647 (378993-D)
11th Floor, Menara Symphony,
No.5 Jalan Prof. Khoo Kay Kim, Seksyen 13,
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

www.hai-o.com.my

HAI-O ENTERPRISE BERHAD
Registration No. 197501000919 (22544-D)

Unit 621, 6th Floor, Block A, Kelana Centre Point No.3, Jalan SS7/19,
Kelana Jaya 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 03-7880 9699 | Fax: 03-7880 8699
E: info@hai-o.com.my