



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

Quarterly report on consolidated results for the financial period ended 31 January 2010
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 JANUARY 2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2010	31/01/2009	31/01/2010	31/01/2009
	RM'000	RM'000	RM'000	RM'000
Revenue	131,281	102,129	412,227	302,331
Operating expenses	(107,718)	(84,752)	(337,263)	(252,958)
Other operating income	1,646	1,259	5,282	3,339
Operating Profit	25,209	18,636	80,246	52,712
Interest income	152	188	566	817
Finance costs	(126)	(262)	(644)	(947)
Profit before taxation	25,235	18,562	80,168	52,582
Income tax expenses	(7,026)	(6,153)	(22,989)	(15,441)
Profit for the year	18,209	12,409	57,179	37,141
Attributable to:				
Equity holders of the parent	18,009	11,989	56,659	36,480
Minority interest	200	420	520	661
	18,209	12,409	57,179	37,141
Earnings Per Share attributable to equity holders of the parent				
- Basic	21.64	14.64	68.08	44.56
- Diluted	0.00	14.63	0.00	44.51

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2009 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 JANUARY 2010**

	AS AT END OF CURRENT QUARTER 31/01/2010 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2009 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	61,640	59,440
<i>Investment properties</i>	26,921	28,414
<i>Prepaid lease payments</i>	1,691	1,716
<i>Investments</i>	1,113	1,156
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	998	1,215
<i>Deferred tax assets</i>	2,528	2,158
	94,976	94,184
Current Assets		
<i>Inventories</i>	58,773	36,228
<i>Trade and other receivables</i>	39,692	36,590
<i>Short term investment</i>	56,979	30,480
<i>Cash and Cash Equivalents</i>	44,108	50,725
	199,552	154,023
TOTAL ASSETS	294,528	248,207
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	84,457	84,457
<i>Treasury Shares</i>	(4,121)	(3,912)
<i>Other reserve</i>	5,531	6,146
<i>Retained earnings</i>	116,001	79,042
	201,868	165,733
Minority Interests	6,561	6,306
Total Equity	208,429	172,039
Non-current Liabilities		
<i>Borrowings</i>	13,991	15,733
<i>Deferred tax</i>	-	79
	13,991	15,812
Current Liabilities		
<i>Trade & other payables</i>	50,221	47,081
<i>Short term borrowings</i>	3,689	3,728
<i>Short-term provision</i>	5,590	2,780
<i>Current tax payable</i>	12,608	6,767
	72,108	60,356
Total Liabilities	86,099	76,168
TOTAL EQUITY AND LIABILITIES	294,528	248,207
Net assets per share attributable to ordinary equity holders of the parent (RM)	2.43	1.99

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 April 2009 and the accompanying explanatory notes attached to the interim financial statements.



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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 JANUARY 2010**

	<u>2010</u> 9 month ended 31/Jan/10 (RM '000)	<u>2009</u> 9 month ended 31/Jan/09 (RM '000)
Net Profit before tax	80,168	52,582
Adjustment for non-cash flow :-		
Non-cash items	5,977	7,891
Non-operating items	(1,521)	(698)
Operating profit before changes in working capital	84,624	59,775
Changes in working capital		
<i>Net Change in current assets</i>	(26,176)	(15,863)
<i>Net Change in current liabilities</i>	3,089	(1,512)
<i>Tax paid</i>	(17,450)	(17,891)
	(40,537)	(35,266)
Net cash flows from operating activities	44,087	24,509
Investing Activities		
<i>Other investment</i>	(28,139)	(36,897)
<i>Quoted investment</i>	35	967
Net cash used in investing activities	(28,104)	(35,930)
Financing Activities		
<i>Purchase of Company's own share</i>	(209)	(4,115)
<i>Proceeds from issue of shares capital</i>	-	3,696
<i>Dividend paid</i>	(19,966)	(20,253)
<i>Interest paid</i>	(644)	(947)
<i>Borrowing</i>	(1,781)	(4,617)
Net cash used in financing activities	(22,600)	(26,236)
Net Changes in Cash & Cash Equivalents	(6,617)	(37,657)
Cash & Cash Equivalents at beginning of financial period	50,725	73,266
Cash & Cash Equivalents at end of the financial period	44,108	35,609

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2009 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JANUARY 2010**

	Attributable to Equity Holders of the Parent							Minority Interest	Total Equity	
	Non distributable			Distributable						
	Share Capital	Treasury shares	Share premium	Exchange fluctuation reserve	Capital reserve	Share option reserve	Retained Earnings	Total		
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
9 month ended 31 January 2010										
Balance as at 1 May 2009 as previously stated	84,457	(3,912)	4,791	698	657	-	79,042	165,733	6,306	172,039
Foreign currency translation	-	-	-	10	-	-	-	10	0	10
Realisation of Exchange fluctuation reserve on disposal of associates	-	-	-	(625)	-	-	-	(625)	-	(625)
Expenses recognised directly in equity	-	-	-	(615)	-	-	-	(615)	-	(615)
Net profit for the financial period	-	-	-	-	-	-	56,659	56,659	520	57,179
Total recognised income and expenses for the year	-	-	-	(615)	-	-	56,659	56,044	520	56,564
Purchase of Company's own shares	-	(209)	-	-	-	-	-	(209)	-	(209)
Dividend paid, less tax	-	-	-	-	-	-	(19,700)	(19,700)	(266)	(19,966)
Balance at end of financial period	84,457	(4,121)	4,791	83	657	-	116,001	201,868	6,560	208,428

9 month ended 31 January 2009

Balance as at 1 May 2008	83,088	(6,291)	1,826	629	657	685	59,978	140,572	5,500	146,072
Net profit for the financial period	-	-	-	-	-	-	36,480	36,480	661	37,141
Total recognised income and expenses for the period	-	-	-	-	-	-	36,480	36,480	661	37,141
Purchase of Company's own shares	-	(4,115)	-	-	-	-	-	(4,115)	-	(4,115)
Issuance of Share Dividend	-	6,967	-	-	-	-	(6,967)	-	-	-
Ordinary shares issued pursuant to exercise of ESOS	1,369	-	2,327	-	-	-	-	3,696	-	3,696
Reserve realised upon exercise of ESOS	-	-	638	-	-	(638)	-	-	-	-
Transfer of reserve upon expiry	-	-	-	-	-	(47)	47	-	-	-
Dividend paid, less tax	-	-	-	-	-	-	(20,060)	(20,060)	(193)	(20,253)
Balance at end of financial period	84,457	(3,439)	4,791	629	657	-	69,478	156,573	5,968	162,541

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2009 and the accompanying explanatory notes attached to the interim financial statements.



A. Notes To The Interim Financial Report

A1 Basis of preparation

The interim financial statements have been prepared in accordance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial report should be read in conjunction with the most recent annual financial statements of the Group for the year ended 30 April 2009.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2009.

A2 Audit report of preceding annual financial statement

The preceding year annual financial statements were not subject to any qualification.

A3 Seasonal or cyclical factors

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

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

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

A5 Material changes in estimates

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

A6 Debt and equity securities

There have been no other issuance, cancellation, repurchases, resale and repayments of debts and equity securities during the quarter under review except for the following:-

- a) The details of shares held as treasury shares for the period ended 31 January 2010 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 Nov 2009	1,268,344	4,121,496
Repurchased during the quarter	0	0
Balance as at 31 Jan 2010	1,268,344	4,121,496

There were no additional repurchase of shares since 1 November 2009. On 19 March 2010, the total treasury shares held by the company after the Bonus Issue and Share Split is 2,536,688 shares of RM 0.50 each.



A7 Dividend paid

An interim dividend of 10% gross, (2009: 10%), less tax, amounting to RM 6,239,178 in respect of the financial year ending 30 April 2010 was paid on 12 March 2010.

A8 Segment information

Details of segmental analysis for the period ended 31 January 2010 are as follows:

Business Segment of the Group

	Wholesale	Multi-Level Marketing	Retailing	Manufacturing	Technology	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM'000	RM '000	RM '000	RM '000
REVENUE								
External sales	32,943	345,468	28,185	1,516	-	4,115	-	412,227
Inter-segment sales	156,389	-	87	2,312	-	5,079	(163,867)	-
Total revenue	189,332	345,468	28,272	3,828	-	9,194	(163,867)	412,227
RESULT								
Segment result	12,529	63,478	2,203	488	(1,240)	3,341	(553)	80,246
Unallocated corporate expenses								-
Operating profit								80,246
Interest expense								(644)
Interest income								566
Profit before taxation								80,168
Taxation								(22,989)
Net profit for the period								57,179

A9 Property, plant and equipment

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

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 31 January 2010 up to the date of this report.



A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period except for the following:

- (i) On 30 November 2009 and 15 January 2010, the Company had subscribed for additional 600,000 and 400,000 ordinary shares of RM1 each in Hai-O Energy (M) Sdn Bhd (“Hai-O Energy”) respectively for a total cash consideration of RM 1,000,000. With effect thereof, the issued and paid-up capital of Hai-O Energy had increased to RM 2,400,000 comprising of 2,400,000 ordinary shares of RM 1 each.

A12 Contingent liabilities

The changes in contingent liabilities of the Company and the Group since the last annual balance sheet date are as follows :-

<u>Company</u>	As at 12 Mar 2010	As at 31 Jan 2010	As at 30 Apr 2009
	RM ‘000	RM ‘000	RM ‘000
Corporate guarantee in respect of credit facilities granted to subsidiary companies	1,586	1,586	1,786
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	1,586	1,586	1,786
<u>Group</u>	As at 12 Mar 2010	As at 31 Jan 2010	As at 30 Apr 2009
	RM ‘000	RM ‘000	RM ‘000
Bank guarantee given to third parties in respect of services rendered to the Company	1,826	6,663	3,259
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
	1,826	6,663	3,259

A13 Capital commitment

The capital commitment of the Group for the period ended 31 January 2010 are as follows:

	RM ‘000
1) Approved and contracted for in respect of R&D expenditure.	820
2) Approved but not yet contracted for in respect of capital expenditure on pharmaceutical factory	10,000
	<hr style="width: 100%; border: 0.5px solid black;"/>
	10,820



Additional Information Required By The BMSB - Listing Requirements

B1 Review of performance of the Company and its principal subsidiaries for the current quarter and financial year-to-date

Current quarter compared to the preceding year's corresponding quarter

For the third quarter ended 31 January 2010, the Group recorded higher revenue of RM 131.28 million as compared to RM 102.13 million for the corresponding quarter of the preceding year an increase of about 29%. In correspondence to the increase in revenue, the Group registered higher profit after taxation of RM 18.21 million as compared to RM 12.41 million for the corresponding quarter of the preceding year, representing an increase over 46%, mainly contributed by its principal subsidiary, the MLM division and higher Group's rental income received.

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

For the three quarters ended 31 January 2010, the Group achieved higher revenue of RM 412.23 million as compared to RM 302.33 million for the corresponding period of the preceding year, an increase by almost RM 110 million.

The Group profit after taxation increased by RM 20 million or about 54% from RM 37.14 million to RM 57.18 million for the corresponding period of the preceding year. The substantial increase in profit was mainly due to higher revenue achieved by the MLM division and higher Group's rental income received. The wholesale division contributed about 16% to the Group's profit before taxation due to higher total revenue generated during the period. As for the retail division, it had recorded lower revenue as compared to the preceding year, reason being that the Chinese Lunar New Year fell in the fourth quarter.

B2 Material changes for the current quarter as compared with the immediate preceding quarter

For the third quarter under review, the Group registered marginal lower revenue of RM 131.28 million as compared to the immediate preceding quarter of RM 132.37 million. This was due to lower revenue achieved by the MLM and retail divisions, as the MLM division had just completed its sales campaign in the second quarter whereas for the retail division, the pre-stocktake sales promotion campaign was usually carried out half yearly.

The Group recorded lower profit after taxation of RM 18.21 million as compared to the immediate preceding quarter of RM 20.45 million, mainly due to the reasons as mentioned above coupled with higher personnel expenses and higher A&P costs incurred. Moreover realisation of exchange fluctuation reserve on disposal of foreign associates, amounting to RM 0.6 million was booked in the second quarter.

B3 Commentary on prospect

The Malaysian economy is projected to recover in year 2010 in tandem with the recovery of manufacturing sector and growth in export in the fourth quarter of 2009. The Group will continue to focus on its three main divisions, namely the MLM, wholesale and retail divisions. The MLM will continue to organise more A&P activities such as incentive trip sales campaign and new member recruitment. The wholesale and retail divisions will focus on health awareness campaign to a wider range of consumers. Moreover the retail division will continue its ongoing expansion by opening more outlets across Malaysia especially in East Malaysia and develop more of its house brand products.

In view thereof, the Board of Directors is confident that the Group will continue to perform profitably in the fourth quarter of 2010.



B4 Statement of Internal targets previously announced or disclosed in public documents

- (i) With reference to the first article appeared in The New Straits Times, Biz News page B8 on Wednesday, 17 June 2009 in particular pertaining to the sentence which is reproduced as “ Hai-O Enterprise Bhd, a multi-level marketing (MLM) firm, expects revenue to grow by 10 per cent this year, helped by intensive advertising and promotional activities.”

The quoted statement is strictly an aspiration set to be achieved by the Company after taking into consideration the Company’s recent performance, the growing in distributors’ network and the ongoing sales promotion activities in plan.

The targeted revenue to grow by 10% this financial year was in consideration of the consumers’ behaviour becoming more cautious in their spending due to the current challenging economy.

The quoted statement was an internal target set by the Company to achieve and not in any way intended to refer to any financial estimates, forecasts or projections of the Company and have not been reviewed by the external auditors of the Company.

- (ii) With reference to the second article appeared in The New Straits Times, Biz News page B6 on Thursday, October 29, 2009 in particular pertaining to the sentence which is reproduced as “ Tan said the group is on track to achieve 10 per cent growth in profit and revenue for the current financial year ending April 30, 2010,”

The quoted statement is strictly an aspiration set to be achieved by the Company after taking into consideration the Company’s recent performance, the growing in the number of distributors in the MLM division and the ongoing sales promotion activities in plan.

The targeted revenue and profit to grow by 10% this financial year was an internal target set by the Company to achieve and not in any way intended to refer to any financial estimates, forecasts or projections of the Company and have not been reviewed by the external auditors of the Company.

Based on the third quarter’s financial performance, the Company had achieved better than the internal target set, with the growth rate of about 37% and 54% increase in revenue and profit after taxation respectively, as compared to the corresponding quarter of the preceding year.

B5 Profit Forecast

There is no profit forecast.



B6 Taxation

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

For the current quarter and financial year-to-date, the effective tax rate of the Group is higher than the statutory tax rate due mainly to certain expenses which are not deductible for tax purposes and losses of certain subsidiary companies which cannot be set off against profits of certain subsidiaries as no Group relief is available for tax purposes.

	Current Quarter Ended 31 Jan 2010 (RM '000)	Current year to date 31 Jan 2010 (RM '000)
Profit before taxation	25,235	80,168
Taxation at applicable tax rate – 25%	6,309	20,042
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	717	2,947
Total Taxation expenses	7,026	22,989

B7 Profits on Sale of Unquoted Investment and / or Properties

There were no profits on sale of unquoted investments and properties for the current quarter and financial year-to-date.

B8 Purchase or Disposal of Quoted Securities

a) The purchase and disposal of quoted securities for the current quarter and current year to date are as follows:-

	Current quarter 31 Jan 2010 RM '000	Current year to date 31 Jan 2010 RM '000
Total purchase consideration	270	414
Total sale proceeds	275	448
Loss on disposal	36	(8)

b) The details of all investments in quoted securities at the end of the reporting period are as follows :-

	RM'000
Total investment at cost	889
Total investment at book value	886
Total investment at market value at the end of reporting period	1,591



B9 Corporate Proposals

There were corporate proposals for the period under review :-

- (i) On 22 December 2009, the Company announced the following corporate proposals:
 - (a) Proposed Bonus Issue of up to 16,891,469 new ordinary shares of RM 1.00 each held in the Company, to be credited as fully paid-up, on the basis of one bonus shares for every five existing ordinary shares held in the Company on an entitlement date (“Bonus issue”);
 - (b) Proposed Share Split involving the subdivision of each share held in the Company into two ordinary shares of RM 0.50 each in the Company (“Subdivided shares”);
 - (c) Proposed amendment to the Memorandum and Article of Association of the Company ; and
 - (d) Proposed Private Placement of up to 10% of the then enlarged issued and paid-up capital of the Company.

Further to the announcement made on 23 December 2009, 4 January 2010, 12 January 2010 and 28 January 2010, the above mentioned proposals were subsequently approved by the Company’s shareholders at an Extraordinary General Meeting held on 24 February 2010.

The Bonus Issue were carried out concurrently with the Share Split involving the subdivision of every one Hai-O Shares into two ordinary shares of RM 0.50 each and the Bonus shares issued were listed on BMSB in the form of the Subdivided shares on 19 March 2010.

The issued and paid-up share capital of the Company after the Bonus Issue and Share Split on 19 March 2010 is RM 101,095,141 comprising of 202,190,282 ordinary shares of RM 0.50 each, of which 2,536,688 shares are held as treasury shares.

B10 Group Borrowings and Debts Securities

The Group borrowings and debts securities as at the end of the reporting period are :-

Group Borrowings	Currency	Secured/ Unsecured	RM’000
Short Term Borrowings	Malaysia Ringgit	Unsecured	1,436
Short Term Borrowings	Malaysia Ringgit	Secured	2,253
Long Term Borrowings	Malaysia Ringgit	Secured	13,991
Total			17,680

B11 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk for the period ended 31 January 2010.



B12 Material Litigation

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

B13 Dividend Payable

The Board of Directors is pleased to declare a second interim dividend of 4 sen per ordinary share, less tax, in respect of the financial period ending 30 April 2010 (31/1/2009: Nil).

The dividend payment date and entitlement date will be advised later.

B14 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jan -10	PRECEDING YEAR CORRESPONDING QUARTER 31-Jan -09	CURRENT YEAR TO DATE 31-Jan -10	PRECEDING YEAR CORRESPONDING PERIOD 31-Jan-09
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent	18,009	11,989	56,659	36,480
Weighted average number of shares ('000)	83,227	81,870	83,227	81,870
Weighted average number of shares deemed to have been issued for no consideration upon exercise of ESOS ('000)	-	98	-	98
Weighted average number of shares for diluted EPS ('000)	83,227	81,968	83,227	81,968
Basic earnings per share (sen)	21.64	14.64	68.08	44.56
Diluted earnings per share (sen)	-	14.63	-	44.51

The diluted earning per share is not presented as there were no potential ordinary shares to be issued as at the end of the reporting period.