



HAI-O ENTERPRISE BHD
Company No: 22544-D
(Incorporated in Malaysia)

Unaudited Interim Financial Report
31 July 2011



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2011**

	AS AT END OF CURRENT QUARTER 31/07/2011 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2011 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	71,312	72,181
<i>Investment properties</i>	34,083	33,250
<i>Other Investments</i>	-	-
<i>Financial assets at fair value through profit or loss</i>	1,269	1,256
<i>Available-for-sale investment</i>	226	226
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	510	615
<i>Deferred tax assets</i>	2,284	2,550
	109,769	110,163
Current Assets		
<i>Inventories</i>	47,956	44,274
<i>Trade and other receivables</i>	21,026	20,925
<i>Other Investments</i>	-	-
<i>Financial assets at fair value through profit or loss</i>	41,792	35,537
<i>Cash and Cash Equivalents</i>	45,620	46,054
	156,394	146,790
TOTAL ASSETS	266,163	256,953
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	101,095	101,095
<i>Treasury Shares</i>	(4,874)	(4,291)
<i>Other reserve</i>	506	507
<i>Retained earnings</i>	114,818	107,084
	211,545	204,395
Non-controlling interest	8,594	8,290
Total Equity	220,139	212,685
Non-current Liabilities		
<i>Borrowings</i>	10,026	10,734
<i>Deferred tax</i>	-	145
	10,026	10,879
Current Liabilities		
<i>Trade & other payables</i>	24,081	22,552
<i>Short term borrowings</i>	7,025	5,679
<i>Short-term provision</i>	2,477	3,371
<i>Current tax payable</i>	2,415	1,787
	35,998	33,389
Total Liabilities	46,024	44,268
TOTAL EQUITY AND LIABILITIES	266,163	256,953
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.06	1.02

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2011 and the accompanying explanatory notes attached to the interim financial statements.



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

Quarterly report on consolidated results for the financial period ended 31 July 2011
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JULY 2011**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2011	31/07/2010	31/07/2011	31/07/2010
	RM'000	RM'000	RM'000	RM'000
Revenue	50,973	54,751	50,973	54,751
Operating expenses	(41,107)	(45,531)	(41,107)	(45,531)
Other operating income	1,171	1,586	1,171	1,586
Operating Profit	11,037	10,806	11,037	10,806
Interest income	223	185	223	185
Finance costs	(196)	(206)	(196)	(206)
Profit before taxation	11,064	10,785	11,064	10,785
Income tax expenses	(3,026)	(2,911)	(3,026)	(2,911)
Profit for the period	8,038	7,874	8,038	7,874
Profit attributable to:				
Owner of the parent	7,734	7,804	7,734	7,804
Non-controlling interest	304	70	304	70
	8,038	7,874	8,038	7,874
Earnings Per Share attributable to equity holders of the parent				
- Basic	3.87	3.91	3.87	3.91
- Diluted	N.A.	N.A.	N.A.	N.A.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2011 and the accompanying explanatory notes attached to the interim financial statements.



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

Quarterly report on consolidated results for the financial period ended 31 July 2011
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JULY 2011**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2011	31/07/2010	31/07/2011	31/07/2010
	RM'000	RM'000	RM'000	RM'000
Profit for the period	8,038	7,874	8,038	7,874
Other comprehensive income				
- Fair value adjustment through financial assets	-	76	-	76
- Exchange differences on translating foreign operations	(1)	25	(1)	25
Total comprehensive Income for the period	8,037	7,975	8,037	7,975
Total comprehensive income attributable to:				
Owner of the parent	7,733	7,905	7,733	7,905
Non-controlling Interest	304	70	304	70
	8,037	7,975	8,037	7,975

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2011 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JULY 2011**

	Attributable to Equity Holders of the Parent						Non-controlling interest	Total Equity
	Share Capital	Non distributable		Distributable				
		Treasury shares	Exchange fluctuation reserve	Capital reserve	Retained Earnings	Total		
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
3 month ended 31 July 2011								
Balance as at 30 April 2011	101,095	(4,291)	(150)	657	107,084	204,395	8,290	212,685
Profit for the period	-	-	-	-	7,734	7,734	304	8,038
Other comprehensive income for the period	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income for the period	-	-	(1)	-	7,734	7,733	304	8,037
Purchase of Company's own shares	-	(583)	-	-	-	(583)	-	(583)
Balance at end of financial period	101,095	(4,874)	(151)	657	114,818	211,545	8,594	220,139

3 month ended 31 July 2010 (restated)

Balance as at 30 April 2010	101,095	(4,122)	(127)	657	111,587	209,090	7,374	216,464
Prior year adjustment	-	-	-	-	(5,989)	(5,989)	-	(5,989)
Balance as at 30 April 2010 (restated)	101,095	(4,122)	(127)	657	105,598	203,101	7,374	210,475
Effect of adopting FRS 139	-	-	-	-	1,068	1,068	-	1,068
Restated balance as at 1 May 2010	202,190	(8,244)	(254)	1,314	212,264	407,270	14,748	422,018
Profit for the period	-	-	-	-	7,804	7,804	70	7,874
Other comprehensive income for the period	-	-	25	-	76	101	-	101
Total comprehensive income for the period	-	-	25	-	7,880	7,905	70	7,975
Purchase of Company's own shares	-	-	-	-	-	-	-	-
Balance at end of financial period	101,095	(4,122)	(102)	657	114,546	212,074	7,444	219,518

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2011 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 JULY 2011**

	2011 3 month ended 31/Jul/11 (RM '000)	2010 3 month ended 31/Jul/10 (RM '000)
Net Profit before tax	11,064	10,785
Adjustment for non-cash flow :-		
Non-cash items	688	1,667
Non-operating items	(297)	(549)
Operating profit before changes in working capital	11,455	11,903
Changes in working capital		
<i>Net Change in current assets</i>	(3,787)	401
<i>Net Change in current liabilities</i>	635	(6,687)
<i>Tax paid</i>	(2,168)	(5,883)
	(5,320)	(12,169)
Net cash flows from operating activities	6,135	(266)
Investing Activities		
<i>Other investment</i>	(6,428)	(11,916)
<i>Quoted investment</i>	-	-
Net cash used in investing activities	(6,428)	(11,916)
Financing Activities		
<i>Purchase of Company's own share</i>	(583)	-
<i>Dividend paid</i>	-	(5,989)
<i>Interest paid</i>	(196)	(206)
<i>Borrowing</i>	638	(10)
Net cash used in financing activities	(141)	(6,205)
Net Changes in Cash & Cash Equivalents	(434)	(18,387)
Cash & Cash Equivalents at beginning of the period	46,054	70,911
Cash & Cash Equivalents at end of the period	45,620	52,524

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2011 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 2011.

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 2011.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 April 2011 except for the adoption of the following new and amended FRS and IC Interpretations effective for financial period beginning on or after 1 May 2011:

Effective for financial period beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 3	Business Combination (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS2	Share-based Payments
Amendments to FRS5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS138	Intangible Assets
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-cash Assets to Owners
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Effective for financial period beginning on or after 1 January 2011

Amendment to FRS 1	Limited Exemption from comparative FRS 7
Amendments to FRS 1	Disclosures for First-time Adopters
Amendments to FRS 7	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Improving Disclosures about Financial Instruments
IC Interpretation 4	Group Cash-settled Share-based payment Transactions
	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Improvements to FRSs (2010)	

The above FRSs, amendments to FRSs and IC Interpretations have no material impact to the Group’s consolidated financial statements of the current quarter or the comparative consolidated financial statements of the prior financial year.



A3 Audit report of preceding annual financial statement

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

A4 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.

A5 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.

A6 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.

A7 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:-

The details of shares held as treasury shares for the period ended 31 July 2011 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 May 2011	2,613,688	4,290,815
Repurchased during the quarter	268,200	583,228
Balance as at 31 July 2011	2,881,888	4,874,043

The repurchase transactions were financed by internally generated funds.

As at 22 September 2011, the treasury shares held were 3,088,988 ordinary shares with total purchase consideration of RM 5,255,224.

A8 Dividend

No dividend has been paid for the quarter under review.



A9 Segment information

Details of segmental analysis for the period ended 31 July 2011 are as follows:

	Multi-Level Marketing	Wholesale	Retailing	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE						
Revenue from external customers	28,785	11,958	8,658	1,572	-	50,973
Inter-segment revenue	-	11,887	-	2,047	(13,934)	-
Total revenue	28,785	23,845	8,658	3,619	(13,934)	50,973
RESULT						
Segment result	4,396	4,351	651	1,145	494	11,037
Finance costs						(196)
Interest income						223
Profit before taxation						11,064
Income tax expenses						(3,026)
Net profit for the period						8,038

A10 Property, plant and equipment

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

A11 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 31 July 2011 up to the date of this report except for the following:

Further to the announcement made on 28 January 2011 in relation to the commencement of members' voluntary winding up of its 50% jointly owned company namely, Sanjiu Hai-O TCM (M) Sdn Bhd, a Return by Liquidator Relating to Final Meeting was lodged on 8 September 2011 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, Sanjiu shall be dissolved pursuant to Section 275 (5) of the Companies Act, 1965.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period.



A13 Contingent liabilities

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

<u>Company</u>	As at 21 Sept 2011	As at 31 July 2011	As at 30 Apr 2011
	RM'000	RM'000	RM'000
Corporate guarantee in respect of credit facilities granted to subsidiary companies	Nil	Nil	Nil
<u>Group</u>	As at 22 Sept 2011	As at 31 July 2011	As at 30 Apr 2011
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	1,751	3,692	3,692
	<u>1,751</u>	<u>3,692</u>	<u>3,692</u>

A14 Capital commitment

The capital commitment of the Group for the period ended 31 July 2011 are as follows:

	RM'000
Approved and contracted for in respect of capital expenditure.	6,207



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

For the first quarter ended 31 July 2011, the Group posted a lower revenue of RM 51 million compared to RM 55 million in the first quarter of the preceding year. The drop in revenue was mainly due to lower contribution from its principal subsidiary, the multi-level marketing (“MLM”) division which was attributable to the slowdown in recruitment of new members and lower level of sales from its members.

On the other hand, revenue from the wholesale and retail divisions increased as compared to the previous corresponding quarter, mainly due to the aggressive marketing strategies of the wholesale division and additional revenue generated from 4 new outlets set up by the retail division.

On a positive note, the Group achieved a higher operating margin of 22% as compared to 20% for the same corresponding quarter in the previous year due to the increased contribution from higher margin products, lower costs of imported goods due to the strengthening of Ringgit Malaysia and general improvement in operational efficiency and productivity.

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

For the first quarter under review, the Group recorded a lower revenue of RM 51 million as compared to RM 58 million in the immediate preceding quarter, mainly due to lower contribution from both the MLM and retail divisions. There was an aggressive year-end sales campaign during the immediate preceding quarter and since then, slower sales and lower levels of new members’ recruitment have caused the MLM division to underperform in the first quarter by comparison.

In the retail division, sales are traditionally lower in the first quarter of the financial year after the sales campaign cum year-end stock clearance held during the fourth quarter of the previous financial year.

The wholesale division performed well in the first quarter under review. Pre-tax profit increased by about 25% compared with the immediate preceding quarter due to greater contribution from high margin products coupled with the lower cost of imported goods.

B3 Commentary on prospects

The Group is cautious about the prolonged slackening global economy and the European sovereign debt crisis, and the recent downgrading of U.S. sovereign credit rating. Notwithstanding this concern, Malaysia forecasted GDP would expand by 4%-5% for the year due to sustained growth in domestic consumption and strong export of commodity amidst slower global growth. Currently, the Group is embarking on various measures such as to introduce more new house brand products, launch more effective sales campaign for distributors, emphasize heavily on advertising and promotion and some cost controls measures.

With the various measures being taken by the Group, the Board of Directors is of the opinion that the Group will continue to perform profitably in the next quarter.



B4 Profit Forecast

There is no profit forecast.

B5 Taxation

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

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

	Current Quarter Ended 31 July 2011 (RM '000)	Current year to date 31 July 2011 (RM '000)
Profit before taxation	11,064	11,064
Taxation at applicable tax rate – 25%	2,766	2,766
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets.	260	260
Total income Tax expenses	3,026	3,026

B6 Profits / losses on Sale of Unquoted Investment and / or Properties

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

B7 Purchase or Disposal of Quoted Securities

- There was no purchase or disposal of quoted securities for the current quarter and current year to date.
- The details of all investments in quoted securities at the end of the reporting financial period are as follows :-

	RM'000
Total investment at cost	226
Total investment at book value/carrying amount	1,269
Total investment at market value at the end of reporting period	1,269



B8 Corporate Proposals

There were no corporate proposals for the period under review .

B9 Group Borrowings and Debts Securities

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

Group Borrowings	Currency	Secured/ Unsecured	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	4,469
Short Term Borrowings	Ringgit Malaysia	Secured	2,556
Long Term Borrowings	Ringgit Malaysia	Secured	10,026
Total			17,051

B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk for the period ended 31 July 2011.

B11 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.

B12 Dividend payable

No interim dividend has been declared for the period under review (31/7/2010: nil).



B13 Realised and Unrealised Profits/Losses Disclosure

In accordance with the directive of BMSB and Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the context of Disclosure Pursuant to BMSB Listing Requirements, as issued by Malaysian Institute of Accountants. The Company is required to disclose a breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period and the previous financial year, on a group basis, into realised and unrealised profits or losses, in the notes to its quarterly report.

The disclosure is based on the prescribed format by the BMSB.

	As at 31.07.2011 RM'000	As at 30.04.2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	117,107	110,112
- Unrealised	3,055	3,038
	120,162	113,150
Total share of retained profits From jointly controlled entities:		
- Realised	1,090	985
	121,252	114,135
Less: Consolidation adjustments	(6,434)	(7,052)
Total Group retained profits as per consolidated accounts	114,818	107,083



B14 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-July -11	PRECEDING YEAR CORRESPONDING QUARTER 31-July -10	CURRENT YEAR TO DATE 31-July-11	PRECEDING YEAR CORRESPONDING PERIOD 31-July-10
<i>Earnings</i>				
Net profit for the year attributable to equity holders of the parent ('000)	7,734	7,804	7,734	7,804
Weighted average number of shares ('000)	199,608	199,654	199,608	199,654
Basic earnings per share (sen)	3.87	3.91	3.87	3.91

Diluted earning per share is not applicable as there were no dilutive potential ordinary shares during the reporting period.