



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

**Unaudited Interim Financial Report**  
**31 October 2011**

**HAI-O ENTERPRISE BHD ( Co.No. 22544-D)****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 OCTOBER 2011**

	AS AT END OF CURRENT QUARTER 31/10/2011 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2011 (RM'000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Property, Plant and Equipment</i>	71,038	72,181
<i>Investment properties</i>	33,960	33,250
<i>Other Investments</i>		
<i>Financial assets at fair value through     profit or loss</i>	1,329	1,256
<i>Available-for-sale investment</i>	226	226
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	445	615
<i>Deferred tax assets</i>	2,582	2,550
	<b>109,665</b>	<b>110,163</b>
<b>Current Assets</b>		
<i>Inventories</i>	41,488	44,274
<i>Trade and other receivables</i>	23,881	20,925
<i>Other Investments</i>		
<i>Financial assets at fair value through     profit or loss</i>	48,181	35,537
<i>Cash and Cash Equivalents</i>	50,131	46,054
	<b>163,681</b>	<b>146,790</b>
<b>TOTAL ASSETS</b>	<b>273,346</b>	<b>256,953</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
<i>Share capital</i>	101,095	101,095
<i>Treasury Shares</i>	(5,310)	(4,291)
<i>Other reserve</i>	506	507
<i>Retained earnings</i>	122,685	107,084
	<b>218,976</b>	<b>204,395</b>
<b>Non-controlling interest</b>	<b>9,048</b>	<b>8,290</b>
<b>Total Equity</b>	<b>228,024</b>	<b>212,685</b>
<b>Non-current Liabilities</b>		
<i>Borrowings</i>	9,421	10,734
<i>Deferred tax</i>	-	145
	<b>9,421</b>	<b>10,879</b>
<b>Current Liabilities</b>		
<i>Trade &amp; other payables</i>	24,434	22,552
<i>Short term borrowings</i>	4,881	5,679
<i>Short-term provision</i>	3,522	3,371
<i>Current tax payable</i>	3,064	1,787
	<b>35,901</b>	<b>33,389</b>
<b>Total Liabilities</b>	<b>45,322</b>	<b>44,268</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>273,346</b>	<b>256,953</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<b>1.10</b>	<b>1.02</b>

*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 October 2011  
The figures have not been audited.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2011	31/10/2010	31/10/2011	31/10/2010
	RM'000	RM'000	RM'000	RM'000
Revenue	56,199	52,622	107,172	107,374
Operating expenses	(46,321)	(44,422)	(87,428)	(89,953)
Other operating income	1,334	890	2,504	2,476
<b>Operating Profit</b>	<b>11,212</b>	<b>9,090</b>	<b>22,248</b>	<b>19,897</b>
Interest income	238	215	462	400
Finance costs	(200)	(220)	(396)	(426)
<b>Profit before taxation</b>	<b>11,250</b>	<b>9,085</b>	<b>22,314</b>	<b>19,871</b>
Income tax expenses	(2,844)	(2,450)	(5,869)	(5,363)
<b>Profit for the period</b>	<b>8,406</b>	<b>6,635</b>	<b>16,445</b>	<b>14,508</b>
<b>Profit attributable to:</b>				
Owner of the parent	7,868	6,132	15,601	13,935
Non-controlling interest	538	503	844	573
	<b>8,406</b>	<b>6,635</b>	<b>16,445</b>	<b>14,508</b>
<b>Earnings Per Share attributable to equity holders of the parent</b>				
- Basic	3.94	3.07	7.82	6.98
- 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 October 2011  
The figures have not been audited.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2011	31/10/2010	31/07/2011	31/10/2010
	RM'000	RM'000	RM'000	RM'000
Profit for the period	8,406	6,635	16,445	14,508
Other comprehensive income				
- Fair value adjustment through financial assets	-	268	-	268
- Exchange differences on translating foreign operations	(1)	24	(1)	24
Total comprehensive Income for the period	8,405	6,927	16,444	14,800
<b>Total comprehensive income attributable to:</b>				
Owner of the parent	7,867	6,424	15,600	14,227
Non-controlling Interest	538	503	844	573
	8,405	6,927	16,444	14,800

*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 OCTOBER 2011**

	Attributable to Equity Holders of the Parent					Non-controlling interest	Total Equity	
	Share Capital	Treasury shares	Non distributable Exchange fluctuation reserve	Capital reserve	Distributable Retained Earnings			Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
<b>6 month ended 31 October 2011</b>								
Balance as at 30 April 2011	101,095	(4,291)	(150)	657	107,084	204,395	8,290	212,685
Profit for the period	-	-	-	-	15,601	15,601	844	16,445
Other comprehensive income for the period	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income for the period	-	-	(1)	-	15,601	15,600	844	16,444
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	(86)	(86)
Purchase of Company's own shares	-	(1,019)	-	-	-	(1,019)	-	(1,019)
<b>Balance at end of financial period</b>	<b>101,095</b>	<b>(5,310)</b>	<b>(151)</b>	<b>657</b>	<b>122,685</b>	<b>218,976</b>	<b>9,048</b>	<b>228,024</b>
<b>6 month ended 31 October 2010 (restated)</b>								
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	101,095	(4,122)	(127)	657	106,666	204,169	7,374	211,543
Profit for the period	-	-	-	-	13,935	13,935	573	14,508
Other comprehensive income for the period	-	-	24	-	268	292	-	292
Total comprehensive income for the period	-	-	24	-	14,203	14,227	573	14,800
Purchase of Company's own shares	-	-	-	-	-	-	-	-
<b>Balance at end of financial period</b>	<b>101,095</b>	<b>(4,122)</b>	<b>(103)</b>	<b>657</b>	<b>120,869</b>	<b>218,396</b>	<b>7,947</b>	<b>226,343</b>

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

	<b>2011 6 month ended 31/Oct/11 (RM '000)</b>	<b>2010 6 month ended 31/Oct/10 (RM '000)</b>
Net Profit before tax	22,314	19,871
Adjustment for non-cash flow :-		
Non-cash items	5,625	1,483
Non-operating items	(772)	(847)
Operating profit before changes in working capital	27,167	20,507
Changes in working capital		
<i>Net Change in current assets</i>	(4,171)	(1,020)
<i>Net Change in current liabilities</i>	1,882	(8,971)
<i>Tax paid</i>	(4,791)	(11,052)
	(7,080)	(21,043)
<b>Net cash flows from operating activities</b>	<b>20,087</b>	<b>(536)</b>
Investing Activities		
<i>Proceeds from disposal of other investment</i>	11,370	5,040
<i>Purchase of other investment</i>	(23,992)	(17,040)
<i>Purchase of property, plant and equipment</i>	(1,072)	(963)
<i>Proceeds from disposal of property, plant and equipment</i>	137	17
<i>Dividend received</i>	611	678
<i>Interest received</i>	462	400
<b>Net cash used in investing activities</b>	<b>(12,484)</b>	<b>(11,868)</b>
Financing Activities		
<i>Purchase of Company's own share</i>	(1,019)	-
<i>Dividend paid</i>	-	(5,989)
<i>Interest paid</i>	(396)	(426)
<i>Borrowing</i>	(2,111)	(417)
<b>Net cash used in financing activities</b>	<b>(3,526)</b>	<b>(6,832)</b>
Net Changes in Cash & Cash Equivalents	4,077	(19,236)
Cash & Cash Equivalents at beginning of financial period	46,054	70,911
<b>Cash &amp; Cash Equivalents at end of the financial period</b>	<b>50,131</b>	<b>51,675</b>

*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
IC Interpretation 18	Determining whether an Arrangement contains a Lease
Improvements to FRSs (2010)	Transfers of Assets from Customers

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 October 2011 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 August 2011	2,881,888	4,874,043
Repurchased during the quarter	239,300	435,523
Balance as at 31 October 2011	3,121,188	5,309,566

The repurchase transactions were financed by internally generated funds.

As at 14 December 2011, the treasury shares held were 3,205,588 ordinary shares with total purchase consideration of RM 5,466,889.

**A8 Dividend paid**

A final single tier dividend of 5.5 sen, amounting to RM 10,947,639 in respect of the previous financial year as approved by the shareholders at the Annual General Meeting held on 19 October 2011 was paid on 8 December 2011.





#### **A9 Segment information**

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

	<b>Multi-Level Marketing</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Others</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>REVENUE</b>						
Revenue from external customers	60,775	23,830	19,398	3,169	-	107,172
Inter-segment revenue	-	23,586	-	3,914	(27,500)	-
Total revenue	60,775	47,416	19,398	7,083	(27,500)	107,712
<b>RESULT</b>						
Segment result	9,882	7,250	2,297	2,554	265	22,248
Finance costs						(396)
Interest income						462
Profit before taxation						22,314
Income tax expenses						(5,869)
Net profit for the period						16,445

#### **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 October 2011 up to the date of this report except for the following:

- (i) Further to the announcement made on 28 January 2011 and 8 September 2011 in relation to the members' voluntary winding up of the Company's 50% jointly owned company namely, Sanjiu Hai-O TCM (M) Sdn Bhd ("Sanjiu"), has on 8 December 2011 been 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 except for the following:

- (i) Hai-O Properties Sdn Bhd, a wholly-owned subsidiary of the Company had on 4 October 2011 submitted an application to the Companies Commission of Malaysia to strike off its dormant subsidiary, namely Tyher Tea & Arts Culture Sdn Bhd off the register pursuant to Section 308 of the Companies Act, 1965.
- (ii) The company had acquired additional 15,000 ordinary shares of RM 1.00 each in the share capital of Hai-O Raya Bhd, for a total cash consideration of RM 37,500 during the quarter.

**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 14 Dec 2011	As at 31 Oct 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 14 Dec 2011	As at 31 Oct 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	1,851	2,151	3,692
	<hr/>	<hr/>	<hr/>
	1,851	2,151	3,692

**A14 Capital commitment**

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

	RM'000
Approved and contracted for in respect of capital expenditure.	6,153



### **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 second quarter under review, the Group registered higher revenue and pre-tax profit of RM 56 million and RM 11 million as compared to RM 53 million and RM 9 million of the corresponding quarter of the preceding year, respectively. The increase in revenue and pre-tax profit by about 6% and 22% respectively was mainly due to higher contribution from its principal subsidiary, the multi-level marketing ("MLM") division. The hard work and aggressive strategies by the distributors have started to see positive results as reflected in higher pre-tax profit, contributed by higher revenue coupled with higher contribution from its high margin products and new products' sales.

In addition, other division had generated higher rental income from the leasing of investment properties coupled with lower R&D cost in the technology company which contributed to higher Group's profit.

However, the revenue and pre-tax profit for the wholesale division were lower in the current quarter, which were mainly affected by lower sales of its Chinese Medicated Tonic wine. Revenue for the retail division was marginally lower by about 5%, the successful sales campaign on one of its key product had brought in higher revenue in the preceding year's quarter. The Group had written off inventories amounting to approximately RM 4 million after a fire incident happened at the bonded and general warehouse during the quarter. The warehouse operator has given a confirmation letter that the said inventories are fully insured. Therefore the Group has also made an accrual on this claim.

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

For the second quarter ended 31 October 2011, the Group posted higher pre-tax profit of RM 22 million compared to RM 20 million in the preceding year. The increase in profit was mainly due to higher contribution from the wholesale division and lower R&D cost in other division. The pre-tax profit improved by about 10% for the retail division due to its successful members' sales campaign in the second quarter. These had increased the operating margin to 21% as compared to 19% in the preceding year.

The Group believes that with the right strategies and effective sales campaign, the MLM division will be heading on the right track.



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

For the second quarter under review, the pre-tax profit improved marginally as compared with the immediate preceding quarter despite higher revenue achieved by the Group, which was mainly due to lower pre-tax profit from the wholesale division.

Nevertheless, pre-tax profit of the MLM division had improved by about 25% which was mainly contributed by higher revenue and margin achieved in the second quarter. The members' sales promotion carried out by the retail division in the second quarter also contributed higher revenue and pre-tax profit while other division contributed higher rental income to the Group. This positive contribution however was offset by lower pre-tax profit generated from the wholesale division.

**B3 Commentary on prospects**

The Group is continuously working on effective marketing strategies for all of its main divisions and implementing efficient internal operating procedures. The Group believes that domestic consumption will remain strong and with the upcoming festive seasons falling in the second half of the financial year, the wholesale and retail divisions will emphasize its A&P program heavily during this period. In addition, the Group will continue to introduce house brands products and launch new retail outlets.

In view thereof, 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 which cannot be set off against profits of certain subsidiaries as no Group relief is available for tax purposes.

	Current Quarter Ended 31 October 2011 (RM '000)	Current year to date 31 October 2011 (RM '000)
Profit before taxation	11,250	22,314
Taxation at applicable tax rate – 25%	2,813	5,579
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets.	31	290
Total income Tax expenses	2,844	5,869

## 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	1,329
Total investment at market value at the end of reporting period	1,329

## 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	2,336
Short Term Borrowings	Ringgit Malaysia	Secured	2,545
Long Term Borrowings	Ringgit Malaysia	Secured	9,421
Total			14,302

**B10 Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk for the period ended 31 October 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**

The Board of Directors is pleased to declare a first interim single tier dividend of 2 sen per share in respect of the financial year ending 30 April 2012. (31/10/2010: 2 sen single tier).



**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 31.10.2011 RM'000	As at 30.04.2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	124,817	110,112
- Unrealised	3,321	3,038
	128,138	113,150
Total share of retained profits From jointly controlled entities:		
- Realised	1,447	985
	129,585	114,135
Less: Consolidation adjustments	(6,900)	(7,052)
Total Group retained profits as per consolidated accounts	122,685	107,083



**B14 Earnings per share (EPS)**

**Earnings per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Oct-11	PRECEDING YEAR CORRESPONDING QUARTER 31-Oct-10	CURRENT YEAR TO DATE 31-Oct-11	PRECEDING YEAR CORRESPONDING PERIOD 31-Oct-10
<i>Earnings</i>				
Net profit for the year attributable to equity holders of the parent ('000)	7,868	6,132	15,601	13,935
Weighted average number of shares ('000)	199,495	199,654	199,495	199,654
Basic earnings per share (sen)	3.94	3.07	7.82	6.98

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