



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

Unaudited Interim Financial Report
31 January 2012



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2012**

	AS AT END OF CURRENT QUARTER 31/01/2012 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2011 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	70,848	72,181
<i>Investment properties</i>	33,831	33,250
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	1,439	1,256
<i>Available-for-sale investment</i>	226	226
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	690	615
<i>Deferred tax assets</i>	2,569	2,550
	109,688	110,163
Current Assets		
<i>Inventories</i>	43,071	44,274
<i>Trade and other receivables</i>	27,470	20,925
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	48,423	35,537
<i>Cash and Cash Equivalents</i>	48,675	46,054
	167,639	146,790
TOTAL ASSETS	277,327	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>	(5,576)	(4,291)
<i>Other reserve</i>	506	507
<i>Retained earnings</i>	116,821	107,084
	212,846	204,395
Non-controlling interest	9,326	8,290
Total Equity	222,172	212,685
Non-current Liabilities		
<i>Borrowings</i>	8,763	10,734
<i>Deferred tax</i>	-	145
	8,763	10,879
Current Liabilities		
<i>Trade & other payables</i>	33,959	22,552
<i>Short term borrowings</i>	6,219	5,679
<i>Short-term provision</i>	4,294	3,371
<i>Current tax payable</i>	1,920	1,787
	46,392	33,389
Total Liabilities	55,155	44,268
TOTAL EQUITY AND LIABILITIES	277,327	256,953
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.07	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 January 2012
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JANUARY 2012**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2012	31/01/2011	31/01/2012	31/01/2011
	RM'000	RM'000	RM'000	RM'000
Revenue	62,792	57,621	169,964	164,994
Operating expenses	(51,470)	(49,439)	(138,897)	(139,392)
Other operating income	1,646	849	4,150	3,325
Operating Profit	12,968	9,031	35,217	28,927
Interest income	238	227	699	627
Finance costs	(196)	(232)	(592)	(658)
Profit before taxation	13,010	9,026	35,324	28,896
Income tax expenses	(3,503)	(2,329)	(9,372)	(7,691)
Profit for the period	9,507	6,697	25,952	21,205
Profit attributable to:				
Owner of the parent	9,063	6,347	24,664	20,283
Non-controlling interest	444	350	1,288	922
	9,507	6,697	25,952	21,205
Earnings Per Share attributable to equity holders of the parent				
- Basic	4.55	3.18	12.37	10.16
- 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 January 2012
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JANUARY 2012**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2012	31/01/2011	31/01/2012	31/01/2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period	9,507	6,697	25,952	21,205
Other comprehensive income				
- Fair value adjustment through financial assets	-	33	-	300
- Exchange differences on translating foreign operations	(1)	1	(1)	25
Total comprehensive Income for the period	9,506	6,731	25,951	21,530
Total comprehensive income attributable to:				
Owner of the parent	9,062	6,381	24,663	20,608
Non-controlling Interest	444	350	1,288	922
	9,506	6,731	25,951	21,530

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 JANUARY 2012**

	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)	
9 month ended 31 January 2012								
Balance as at 30 April 2011	101,095	(4,291)	(150)	657	107,084	204,395	8,290	212,685
Profit for the period	-	-	-	-	24,664	24,664	1,288	25,952
Other comprehensive income for the period	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income for the period	-	-	(1)	-	24,664	24,663	1,288	25,951
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	(156)	(156)
Dividends	-	-	-	-	(14,927)	(14,927)	(96)	(15,023)
Purchase of Company's own shares	-	(1,285)	-	-	-	(1,285)	-	(1,285)
Balance at end of financial period	101,095	(5,576)	(151)	657	116,821	212,846	9,326	222,172

9 month ended 31 January 2011 (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	101,095	(4,122)	(127)	657	106,666	204,169	7,374	211,543
Profit for the period	-	-	-	-	20,283	20,283	922	21,205
Other comprehensive income for the period	-	-	25	-	300	325	-	325
Total comprehensive income for the period	-	-	25	-	20,583	20,608	922	21,530
Disposal of interests in subsidiaries	-	-	-	-	-	-	(102)	(102)
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	(29)	(29)
Dividends	-	-	-	-	(27,952)	(27,952)	(293)	(28,245)
Purchase of Company's own shares	-	-	-	-	-	-	-	-
Balance at end of financial period	101,095	(4,122)	(102)	657	99,297	196,825	7,872	204,697

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 JANUARY 2012**

	<u>2012</u> 9 month ended 31/Jan/12 (RM '000)	<u>2011</u> 9 month ended 31/Jan/11 (RM '000)
Net Profit before tax	35,324	28,896
Adjustment for non-cash flow :-		
Non-cash items	6,963	2,488
Non-operating items	(1,508)	(1,121)
Operating profit before changes in working capital	40,779	30,263
Changes in working capital		
<i>Net Change in current assets</i>	(9,850)	(1,440)
<i>Net Change in current liabilities</i>	7,428	(2,462)
<i>Tax paid</i>	(9,070)	(15,216)
	(11,492)	(19,118)
Net cash flows from operating activities	29,287	11,145
Investing Activities		
<i>Proceeds from disposal of other investment</i>	14,980	41,196
<i>Purchase of other investment</i>	(27,761)	(26,935)
<i>Purchase of property, plant and equipment</i>	(1,496)	(18,303)
<i>Proceeds from disposal of property, plant and equipment</i>	141	24
<i>Dividend received</i>	1,123	1,008
<i>Interest received</i>	699	627
Net cash used in investing activities	(12,314)	(2,383)
Financing Activities		
<i>Purchase of Company's own share</i>	(1,285)	-
<i>Dividend paid</i>	(11,044)	(34,234)
<i>Interest paid</i>	(592)	(658)
<i>Borrowing</i>	(1,431)	(300)
Net cash used in financing activities	(14,352)	(35,192)
Net Changes in Cash & Cash Equivalents	2,621	(26,430)
Cash & Cash Equivalents at beginning of financial period	46,054	70,911
Cash & Cash Equivalents at end of the financial period	48,675	44,481

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 was 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 January 2012 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 November 2011	3,121,188	5,309,566
Repurchased during the quarter	140,400	266,660
Balance as at 31 January 2012	3,261,588	5,576,226

The repurchase transactions were financed by internally generated funds.

As at 20 March 2012, the treasury shares held were 3,275,388 ordinary shares with total purchase consideration of RM 5,607,734.

A8 Dividend paid

A first interim single tier dividend of 2 sen, amounting to RM 3,978,298 in respect of the current financial year was paid on 7 March 2012.



A9 Segment information

Details of segmental analysis for the period ended 31 January 2012 are as follows:

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE						
Revenue from external customers	95,432	37,075	32,471	4,986	-	169,964
Inter-segment revenue	-	46,195	53	6,645	(52,893)	-
Total revenue	95,432	83,270	32,524	11,631	(52,893)	169,964
RESULT						
Segment result	16,814	10,741	3,516	4,071	75	35,217
Finance costs						(592)
Interest income						699
Profit before taxation						35,324
Income tax expenses						(9,372)
Net profit for the period						25,952

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 was no material events subsequent to the current financial quarter ended 31 January 2012 up to the date of this report.

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) The company had acquired additional 12,000 ordinary shares of RM 1.00 each in the share capital of Hai-O Raya Bhd, for a total cash consideration of RM 30,000 during the quarter.



- (ii) 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 (“CCM”) to strike off its dormant subsidiary, namely Tyher Tea & Arts Culture Sdn (“Tyher Tea”) Bhd off the register pursuant to Section 308 of the Companies Act, 1965. Tyher Tea shall be officially dissolved pursuant to Section 308 (4) of the Companies Act, 1965 upon receipt of the notice from CCM.

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 20 Mar 2012	As at 31 Jan 2012	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 20 Mar 2012	As at 31 Jan 2012	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	1,330	1,330	3,692
	<u>1,330</u>	<u>1,330</u>	<u>3,692</u>

A14 Capital commitment

The capital commitment of the Group for the period ended 31 January 2012 is as follows:

	RM'000
Approved and contracted for in respect of capital expenditure.	6,147



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 current quarter under review, the Group registered higher revenue and pre-tax profit of RM 63 million and RM 13 million as compared to RM 58 million and RM 9 million for the corresponding quarter of the preceding year, respectively. The increase in revenue and pre-tax profit was mainly due to higher contribution from its principal subsidiary, the multi-level marketing ("MLM") division.

Despite lower revenue in the wholesale division, higher profit in the current quarter was generated from its higher sales in high margin products. The retail division has no significant changes in its revenue and pre-tax profit, as the division has rationalised its unprofitable outlets and concurrently also opened more new outlets to tap into a wider market.

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

For the third quarter ended 31 January 2012, the Group posted higher pre-tax profit of RM 35 million as compared to RM 29 million for the same corresponding period of the preceding year, an increase by about 22%. The increase in the Group's profit was mainly contributed by the MLM and wholesale divisions, coupled with lower R&D cost in the technology division. The profit in the MLM increased by about 18% mainly attributable to higher sales from its main and new products, coupled with effective incentive trip campaign. The MLM division has seen its performance improving since the second quarter and the Group believes with the continuous effort in enhancing its existing marketing strategies and intensified members' recruitment efforts, the MLM division's growth momentum is sustainable.

Despite no significant changes in revenue for the wholesale division, the pre-tax profit has improved by about 16%, mainly generated from its high margin products. Due to the rationalization of its operations as mentioned above, there was no significant change in the financial performance of the retail division.

Higher rental income and lower R&D costs from other division had contributed higher profit to the Group.

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

For the third quarter under review, the Group's pre-tax profit improved by about 16% as compared with the immediate preceding quarter, mainly due to higher contribution from MLM and wholesale divisions, despite higher staff costs incurred in the third quarter. Higher inter-segment sales in the current quarter had brought in additional profit for the wholesale division. Revenue for the retail division has increased by about 23%, however due to extensive A&P during the Chinese Lunar New Year and staff costs incurred, these had resulted lower pre-tax profit in the current quarter.



B3 Commentary on prospects

As announced by Bank Negara Malaysia recently, domestic demand, the main driver for the economic growth remains strong with estimated growth rate of about 6% despite uncertainty in the global market. The MLM division is heading towards the recovery stage, with the effective marketing strategies and continuous product training conducted for the distributors, the division is optimistic that it will be able to sustain its growth momentum. The Group will continue to work on its effective marketing strategies for the wholesale and retail divisions, by concentrating more on high margin products and effective A&P programme.

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 January 2012 (RM '000)	Current year to date 31 January 2012 (RM '000)
Profit before taxation	13,010	35,324
Taxation at applicable tax rate – 25%	3,253	8,831
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets.	250	541
Total income Tax expenses	3,503	9,372

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

- a) There was no purchase or disposal of quoted securities for the current quarter and current year to date.
- b) 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	1,439
Total investment at market value at the end of reporting period	1,439

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	3,640
Short Term Borrowings	Ringgit Malaysia	Secured	2,579
Long Term Borrowings	Ringgit Malaysia	Secured	8,763
Total			14,982

B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk for the period ended 31 January 2012.

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 Dividends

No interim dividend has been declared for the period under review (31/01/2011: 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 31.01.2012 RM'000	As at 30.04.2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	118,957	110,112
- Unrealised	3,434	3,038
	122,391	113,150
Total share of retained profits From jointly controlled entities:		
- Realised	1,410	985
	123,800	114,135
Less: Consolidation adjustments	(6,979)	(7,052)
Total Group retained profits as per consolidated accounts	116,821	107,083



B14 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jan-12	PRECEDING YEAR CORRESPONDING QUARTER 31-Jan-11	CURRENT YEAR TO DATE 31-Jan-12	PRECEDING YEAR CORRESPONDING PERIOD 31-Jan-11
<i>Earnings</i>				
Net profit for the year attributable to equity holders of the parent ('000)	9,063	6,347	24,664	20,283
Weighted average number of shares ('000)	199,318	199,654	199,318	199,654
Basic earnings per share (sen)	4.55	3.18	12.37	10.16

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