



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

**Unaudited Interim Financial Report**  
**31 July 2012**



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

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

	AS AT END OF CURRENT QUARTER 31/07/2012 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2012 (RM'000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Property, Plant and Equipment</i>	63,205	62,076
<i>Investment properties</i>	44,868	45,202
<i>Other Investments</i>		
<i>Financial assets at fair value through     profit or loss</i>	1,464	1,464
<i>Available-for-sale investment</i>	226	226
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	339	397
<i>Deferred tax assets</i>	2,951	2,927
	<b>113,138</b>	<b>112,377</b>
<b>Current Assets</b>		
<i>Inventories</i>	40,755	37,795
<i>Trade and other receivables</i>	19,191	27,966
<i>Other Investments</i>		
<i>Financial assets at fair value through     profit or loss</i>	57,800	57,325
<i>Cash and Cash Equivalents</i>	61,283	54,181
	<b>179,029</b>	<b>177,267</b>
<b>TOTAL ASSETS</b>	<b>292,167</b>	<b>289,644</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>	(7,827)	(5,939)
<i>Other reserve</i>	654	483
<i>Retained earnings</i>	136,313	126,040
	<b>230,235</b>	<b>221,679</b>
<b>Non-controlling interest</b>	<b>10,281</b>	<b>9,727</b>
<b>Total Equity</b>	<b>240,516</b>	<b>231,406</b>
<b>Non-current Liabilities</b>		
<i>Borrowings</i>	7,396	8,097
<i>Deferred tax</i>	170	31
	<b>7,566</b>	<b>8,128</b>
<b>Current Liabilities</b>		
<i>Trade &amp; other payables</i>	29,381	32,488
<i>Short term borrowings</i>	6,650	5,185
<i>Short-term provision</i>	4,088	4,278
<i>Current tax payable</i>	3,966	8,159
	<b>44,085</b>	<b>50,110</b>
<b>Total Liabilities</b>	<b>51,651</b>	<b>58,238</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>292,167</b>	<b>289,644</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<b>1.16</b>	<b>1.11</b>

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2012 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 2012  
The figures have not been audited.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2012	31/07/2011	31/07/2012	31/07/2011
	RM'000	RM'000	RM'000	RM'000
Revenue	61,145	50,973	61,145	50,973
Cost of sales	(37,684)	(29,752)	(37,684)	(29,752)
Gross Profit	23,461	21,221	23,461	21,221
Other income	1,750	1,171	1,750	1,171
Depreciation	(770)	(684)	(770)	(684)
Administrative expenses	(4,308)	(4,526)	(4,308)	(4,526)
Selling & distribution expenses	(6,283)	(5,803)	(6,283)	(5,803)
Other expenses	(67)	(342)	(67)	(342)
<b>Operating Profit</b>	<b>13,783</b>	<b>11,037</b>	<b>13,783</b>	<b>11,037</b>
Interest income	241	223	241	223
Finance costs	(177)	(196)	(177)	(196)
Profit before taxation	13,847	11,064	13,847	11,064
Income tax expenses	(3,509)	(3,026)	(3,509)	(3,026)
<b>Profit for the period</b>	<b>10,338</b>	<b>8,038</b>	<b>10,338</b>	<b>8,038</b>
<b>Profit attributable to:</b>				
Owner of the parent	10,273	7,734	10,273	7,734
Non-controlling interest	65	304	65	304
	10,338	8,038	10,338	8,038
<b>Earnings Per Share attributable to equity holders of the parent</b>				
- Basic	5.17	3.87	5.17	3.87
- 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 2012 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 2012  
The figures have not been audited.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2012	31/07/2011	31/07/2012	31/07/2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period	10,338	8,038	10,338	8,038
Other comprehensive income				
- Foreign currency translation differences for foreign operations	171	(1)	171	(1)
Total comprehensive Income for the period	10,509	8,037	10,509	8,037
<b>Total comprehensive income attributable to:</b>				
Owner of the parent	10,444	7,733	10,444	7,733
Non-controlling Interest	65	304	65	304
	10,509	8,037	10,509	8,037

*The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2012 and the accompanying explanatory notes attached to the interim financial statements.*



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 JULY 2012**

	-----Attributable to Equity Holders of the Parent-----						Non- controlling interest	Total Equity
	Share Capital	Treasury shares	Non distributa Exchange fluctuation reserve	Capital reserve	Distributable Retained Earnings	Total		
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>3 month ended 31 July 2012</b>								
Balance as at 30 April 2012	101,095	(5,939)	(174)	657	126,040	221,679	9,727	231,406
Profit for the period	-	-	-	-	10,273	10,273	65	10,338
Other comprehensive income for the period	-	-	171	-	-	171	-	171
Total comprehensive income for the period	-	-	171	-	10,273	10,444	65	10,509
Acquisition of interest in a subsidiary by non-controlling interest	-	-	-	-	-	-	489	489
Purchase of Company's own shares	-	(1,888)	-	-	-	(1,888)	-	(1,888)
<b>Balance at end of financial period</b>	<b>101,095</b>	<b>(7,827)</b>	<b>(3)</b>	<b>657</b>	<b>136,313</b>	<b>230,235</b>	<b>10,281</b>	<b>240,516</b>
<b>3 month ended 30 July 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	-	-	-	-	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)
<b>Balance at end of financial period</b>	<b>101,095</b>	<b>(4,874)</b>	<b>(151)</b>	<b>657</b>	<b>114,818</b>	<b>211,545</b>	<b>8,594</b>	<b>220,139</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 2012 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 2012**

	<b><u>2013</u></b> <b>3 month</b> <b>ended</b> <b>31/Jul/12</b> <b>(RM '000)</b>	<b><u>2012</u></b> <b>3 month</b> <b>ended</b> <b>31/Jul/11</b> <b>(RM '000)</b>
Net Profit before tax	13,847	11,064
Adjustment for non-cash flow :-		
Depreciation	701	684
Dividend income	(463)	(237)
Fair value (gain)/loss on other investments	(56)	(33)
Finance costs	177	196
Finance income	(241)	(223)
Loss on disposal of property, plant and equipment	17	-
Property, plant and equipment written off	-	5
Unrealised gain /(loss) foreign exchange differences	45	(1)
<b>Operating profit before changes in working capital</b>	<b>14,027</b>	<b>11,455</b>
Changes in working capital		
<i>Inventories</i>	(2,960)	(3,892)
<i>Net Change in trade and other receivables</i>	2,913	105
<i>Net Change in trade and other payables</i>	(3,171)	635
<i>Tax paid</i>	(1,667)	(2,168)
	(4,885)	(5,320)
<b>Net cash flows from operating activities</b>	<b>9,142</b>	<b>6,135</b>
Investing Activities		
<i>Proceeds from disposal of other investment</i>	-	5,000
<i>Purchase of other investment</i>	(419)	(11,235)
<i>Purchase of property, plant and equipment</i>	(1,514)	(653)
<i>Proceeds from disposal of property, plant and equipment</i>	1	-
<i>Dividend received</i>	463	237
<i>Interest received</i>	241	223
<i>Acquisition of interests in subsidiaries by non-controlling Interest</i>	489	-
<b>Net cash used in investing activities</b>	<b>(739)</b>	<b>(6,428)</b>
Financing Activities		
<i>Purchase of Company's own share</i>	(1,888)	(583)
<i>Interest paid</i>	(177)	(196)
<i>Borrowing</i>	764	638
<b>Net cash used in financing activities</b>	<b>(1,301)</b>	<b>(141)</b>
Net Changes in Cash & Cash Equivalents	7,102	(434)
Cash & Cash Equivalents at beginning of financial period	54,181	46,054
<b>Cash &amp; Cash Equivalents at end of the financial period</b>	<b>61,283</b>	<b>45,620</b>

*The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2012 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 Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”). This interim financial statements also complies with IAS 34, Interim Financial Reporting issued by the International Accounting Statements Board (“IASB”).

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 2012.

This interim financial report is the Group’s first MFRS compliant condensed report and therefore MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied. The date of transition to the MFRS framework is 1 January 2012. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1.

**A2 Significant Accounting Policies**

The recent annual financial statements of the Group for the year ended 30 April 2012 were prepared in accordance with FRS. The Group’s financial statements for annual period beginning on 1 May 2012 were prepared in accordance with the MFRSs issued by the MASB and International Financial Reporting Standards (IFRSs). The transitioning to MFRS will not have any significant impact on interim financial report of the Group.

**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 July 2012 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 May 2012	3,427,088	5,938,875
Repurchased during the quarter	888,700	1,887,608
Balance as at 31 July 2012	4,315,788	7,826,483

The repurchase transactions were financed by internally generated funds.

As at 12 September 2012, the treasury shares held were 4,609,788 ordinary shares with total purchase consideration of RM 8,429,006.

**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 2012 are as follows:

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>REVENUE</b>						
Revenue from external customers	40,124	11,102	7,951	1,968	-	61,145
Inter-segment revenue	-	13,416	-	2,163	(15,579)	-
Total revenue	40,124	24,518	7,951	4,131	(15,579)	61,145
<b>RESULT</b>						
Segment result	7,398	3,802	288	1,745	550	13,783
Finance costs						(177)
Interest income						241
Profit before taxation						13,847
Income tax expenses						(3,509)
Net profit for the period						10,338





**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 July 2012 except for the following:

On 8 September 2012, the Company had signed a Letter of Intent with Beijing Tong Ren Tang Chinese Medicine Co., Ltd (“Tong Ren Tang CM”) to jointly inject additional investment into Peking Tong Ren Tang (M) Sdn Bhd, a jointly controlled entity, for the purpose of establishing of “Beijing Tong Ren Tang Chinese Medicine Health Care and Wellness Centre” in Malaysia.

**A12 Changes in the composition of the Group**

There was no change in the composition of the Group during the interim period except for the following:

- (i) On 8 May 2012, the Company had subscribed for additional 599,400 ordinary shares of RM 1 each in Yan Ou Holdings (M) Sdn Bhd (“Yan Ou”), a 60% equity interest subsidiary for a total cash consideration of RM 599,400. With effect thereof, the issued and paid-up capital of Yan Ou had increased to RM 1,000,000 comprising 1,000,000 ordinary shares of RM 1 each.
- (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 Bhd (“Tyher Tea”) from the register pursuant to Section 308 of the Companies Act, 1965. Tyher Tea has been officially struck off and dissolved following the publication of the notice of striking off pursuant to Section 308 (4) of the Companies Act, 1965, dated 20 July 2012 by the 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 12 Sept 2012	As at 31 July 2012	As at 30 Apr 2012
	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 12 Sept 2012	As at 31 July 2012	As at 30 Apr 2012
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	1,891	1,591	1,591
	<u>1,891</u>	<u>1,591</u>	<u>1,591</u>

### A14 Capital commitment

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

	RM'000
Approved and contracted for in respect of capital expenditure.	3,886



### **Additional Information Required By The BMSB - Listing Requirements**

#### **B1 A detailed analysis of performance of operating segments of the Group, setting out material factors affecting the earnings and/or revenue of each segment for the current quarter and financial year-to-date**

For the first quarter ended 31 July 2012, the Group recorded higher revenue and pre-tax profit of RM 61 million and RM 13.8 million as compared to RM 51 million and RM 11 million, respectively of the corresponding quarter of the preceding year. The increase in the Group's revenue was mainly contributed by its principal subsidiary, the multi-level marketing ("MLM") division, which had contributed about 66% and 54% of the total revenue and pre-tax profit respectively for the Group.

(i) MLM division

The revenue and pre-tax profit increased by about 39% and 68% respectively as compared to the first quarter of the preceding year. This was mainly contributed by higher sales from its high-margin foundation garments and its key health food products. These two product categories are the main driving force, the division has been working closely with its distributors to launch its sales campaign and implement effective training program which had motivated members to drive higher sales from customers.

(ii) Wholesale division

The performance for the wholesale division was slower in the first quarter, its revenue and pre-tax profit dropped by about 7% and 13% respectively as compared to the corresponding quarter of the preceding year. Due to the slow-down in the economy, the Chinese medicated halls have cut down their orders as consumers are more cautious in spending. Higher import costs from the strengthening of USD against Malaysian Ringgit has further eroded the margin of the imported goods.

At Company's level, the better profit for this division was contributed by a higher inter-segment sales and higher profit contributed from high margin products sold.

(iii) Retail division

Revenue and pre-tax profit dropped by about 8% and 54% respectively. Despite efforts have been put in on heavy advertising and promotion, sales have been affected by the general slow-down in the economy. Furthermore, higher staff turnover of the retail outlets had indirectly affected the sales, at the same time increased the operating costs as more training are needed. The opening of 7 new outlets in the previous financial year has yet to see positive contribution despite higher operating costs incurred.

(iv) Other divisions

Other divisions were generating their income mainly from manufacturing division, advertising services and rental income from investment properties. Increased in the pre-tax profit by about RM 600,000 was mainly due to one-off compensation amounting to RM 570,000 paid to the manufacturing division, arising from the early termination of a sales contract by one of its customers.



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

For the first quarter under review, the Group recorded lower revenue and pre-tax profit of RM 61 million and RM 13.8 million as compared to RM 69 million and RM 13.3 million respectively of the immediate preceding quarter, which was mainly due to lower sales in the MLM and retail divisions.

MLM division --- This division had just carried out its sales campaign last quarter which had boosted the sales to its highest level in the last financial year. The post sales campaign activities are usually slowdown in the following quarter as the distributors need longer time to plan before they strive for another new challenge.

Wholesale division --- Pre-tax profit increased by about 26% despite a drop in revenue of 6% which was mainly due to lower operating costs incurred for the current quarter as compared to the immediate preceding quarter. Furthermore higher profit derived from higher sales of patented medicine products and duty free goods also enhanced to the bottom line.

Retail division – Sales in the retail division are traditionally lower in the first quarter after the year-end stock clearance sales held during the fourth quarter of the previous financial year, coupled with slow-down in the domestic consumption, resulting in revenue and pre-tax dropped by about 24% and 85% respectively as compared to the immediate preceding quarter.

**B3 Commentary on prospects**

Despite the sterling performance of the MLM division and believes that the momentum will continue, the Group is cautious about the general slow-down in consumers' demand which had effected the performance of wholesale and retail divisions. The Group expects that the negative sentiment will continue to flow through to next quarter. To mitigate the negative impact, the retail division will launch its members' sale campaign in the second quarter whereas the wholesale division will continue to enhance its product mix and expand its market channel. For the MLM division, it will continue to launch more new products, implement effective sales campaign and recruit more new members.

With various measures taken by the Group as mentioned above, the Board of Directors is of the opinion that the prospect of the Group will remain profitable 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 July 2012 (RM '000)	Current year to date 31 July 2012 (RM '000)
Profit before taxation	13,847	13,847
Taxation at applicable tax rate – 25%	3,462	3,462
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets.	47	47
Total income Tax expenses	3,509	3,509

## B6 Corporate Proposals

There were no corporate proposals for the period under review .

## B7 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	3,985
Short Term Borrowings	Ringgit Malaysia	Secured	2,665
Long Term Borrowings	Ringgit Malaysia	Secured	7,396
Total			14,046

## B8 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.



**B9 Dividends**

No interim dividend has been declared for the period under review (31/7/2011: NIL).

**B10 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 year 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 31.07.2012 RM'000	As at 30.04.2012 RM'000 (Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	138,694	128,893
- Unrealised	2,756	2,716
	141,450	131,609
Total share of retained profits From jointly controlled entities:		
- Realised	1,488	1,401
	142,938	133,010
Less: Consolidation adjustments	(6,625)	(6,970)
Total Group retained profits as per consolidated accounts	136,313	126,040



## B11 Earnings per share (EPS)

### Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-July-12	PRECEDING YEAR CORRESPONDING QUARTER 31-July-11	CURRENT YEAR TO DATE 31-July-12	PRECEDING YEAR CORRESPONDING YEAR 31-July-11
<i>Earnings</i>				
Net profit for the year attributable to equity holders of the parent ('000)	10,273	7,734	10,273	7,734
Weighted average number of shares ('000)	198,896	199,608	198,896	199,608
Basic earnings per share (sen)	5.17	3.87	5.17	3.87

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