



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

Unaudited Interim Financial Report
31 July 2015



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2015**

	AS AT END OF CURRENT QUARTER 31/07/2015 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2015 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	64,639	64,611
<i>Investment properties</i>	50,244	50,583
<i>Investment in jointly control entity</i>	2,245	2,234
<i>Investment in an associates</i>	-	-
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	274	271
<i>Available-for-sale investment</i>	12	12
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	629	566
<i>Deferred tax assets</i>	1,622	1,399
	119,750	119,761
Current Assets		
<i>Inventories</i>	65,136	58,244
<i>Trade and other receivables</i>	17,320	23,444
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	57,574	56,119
<i>Cash and Cash Equivalents</i>	52,215	48,293
	192,245	186,100
TOTAL ASSETS	311,995	305,861
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	101,095	101,095
<i>Treasury Shares</i>	(15,267)	(14,712)
<i>Other reserve</i>	460	452
<i>Retained earnings</i>	173,655	167,030
	259,943	253,865
Non-controlling interest	11,872	11,966
Total Equity	271,815	265,831
Non-current Liabilities		
<i>Borrowings</i>	-	-
<i>Deferred tax</i>	264	99
	264	99
Current Liabilities		
<i>Trade & other payables</i>	29,435	30,823
<i>Short term borrowings</i>	4,418	3,912
<i>Short-term provision</i>	3,095	2,495
<i>Current tax payable</i>	2,968	2,701
	39,916	39,931
Total Liabilities	40,180	40,030
TOTAL EQUITY AND LIABILITIES	311,995	305,861
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.33	1.30

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2015 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 31 July 2015
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 JULY 2015

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2015	31/07/2014	31/07/2015	31/07/2014
	RM'000	RM'000	RM'000	RM'000
Revenue	55,376	49,784	55,376	49,784
Cost of sales	(34,980)	(31,254)	(34,980)	(31,254)
Gross Profit	20,396	18,530	20,396	18,530
Other income	2,417	2,454	2,417	2,454
Depreciation	(774)	(700)	(774)	(700)
Administrative expenses	(6,101)	(5,217)	(6,101)	(5,217)
Selling & distribution expenses	(7,135)	(6,804)	(7,135)	(6,804)
Other expenses	(92)	(62)	(92)	(62)
Operating Profit	8,711	8,201	8,711	8,201
Interest income	162	267	162	267
Finance costs	(80)	(97)	(80)	(97)
Share of profit of equity-accounted investee, net of tax	11	38	11	38
Profit before taxation	8,804	8,409	8,804	8,409
Income tax expenses	(2,273)	(2,191)	(2,273)	(2,191)
Profit for the period	6,531	6,218	6,531	6,218
Profit attributable to:				
Owner of the parent	6,625	6,223	6,625	6,223
Non-controlling interest	(94)	(5)	(94)	(5)
	6,531	6,218	6,531	6,218
Earnings Per Share attributable to equity holders of the parent				
- Basic	3.39	3.17	3.39	3.17
- 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 2015 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 31 July 2015
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JULY 2015**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2015	31/07/2014	31/07/2015	31/07/2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period	6,531	6,218	6,531	6,218
Other comprehensive income				
- Foreign currency translation differences for foreign operations	8	(23)	8	(23)
Total comprehensive Income for the period	6,539	6,195	6,539	6,195
Total comprehensive income attributable to:				
Owner of the parent	6,633	6,200	6,633	6,200
Non-controlling Interest	(94)	(5)	(94)	(5)
	6,539	6,195	6,539	6,195

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2015 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JULY 2015**

	Attributable to Equity Holders of the Parent					Non-controlling interest	Total Equity	
	Share Capital	Treasury shares	Exchange fluctuation reserve	Capital reserve	Retained Earnings			Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
3 month ended 31 July 2015								
Balance as at 30 April 2015	101,095	(14,712)	(205)	657	167,030	253,865	11,966	265,831
Profit for the period	-	-	-	-	6,625	6,625	(94)	6,531
Other comprehensive income for the period	-	-	8	-	-	8	-	8
Total comprehensive income for the period	-	-	8	-	6,625	6,633	(94)	6,539
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	-	-
Purchase of Company's own shares	-	(555)	-	-	-	(555)	-	(555)
Balance at end of financial period	101,095	(15,267)	(197)	657	173,655	259,943	11,872	271,815
3 month ended 31 July 2014								
Balance as at 30 April 2014	101,095	(11,882)	(192)	657	164,392	254,070	11,480	265,550
Profit for the period	-	-	-	-	6,223	6,223	(5)	6,218
Other comprehensive income for the period	-	-	(23)	-	-	(23)	-	(23)
Total comprehensive income for the period	-	-	(23)	-	6,223	6,200	(5)	6,195
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	11	11	(26)	(15)
Purchase of Company's own shares	-	(1,357)	-	-	-	(1,357)	-	(1,357)
Balance at end of financial period	101,095	(13,239)	(215)	657	170,626	258,924	11,449	270,373

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2015 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 2015**

	2016 3 month ended 31/07/2015 (RM '000)	2015 3 month ended 31/07/2014 (RM '000)
Profit before tax	8,804	8,409
Adjustment for :-		
Depreciation	774	751
Dividend income	(309)	(319)
Fair value (gain)/loss on other investments	(147)	(146)
Finance costs	80	97
Finance income	(162)	(267)
Gain on disposal of property, plant and equipment	(1)	-
Loss on disposal of property, plant and equipment	-	-
Property, plant and equipment written off	1	41
Share of profit of equity-accounted investee, net of tax	(11)	(38)
Provision for sales campaign	600	419
Unrealised foreign exchange differences	(328)	(4)
Operating profit before changes in working capital	9,301	8,943
Changes in working capital		
<i>Inventories</i>	(6,892)	(6,753)
<i>Net Change in trade and other receivables</i>	6,139	1,954
<i>Net Change in trade and other payables</i>	(1,060)	(2,542)
<i>Tax paid</i>	(2,142)	(3,035)
	(3,955)	(10,376)
Net cash flows from operating activities	5,346	(1,433)
Investing Activities		
<i>Accretion of equity interests in subsidiaries</i>	-	(15)
<i>Proceeds from disposal of other investment</i>	4,286	3,100
<i>Purchase of other investment</i>	(5,597)	(3,332)
<i>Purchase of investment properties</i>	-	(9,040)
<i>Purchase of property, plant and equipment</i>	(480)	(502)
<i>Proceeds from disposal of property, plant and equipment</i>	1	-
<i>Dividend received</i>	309	319
<i>Interest received</i>	162	267
Net cash used in investing activities	(1,319)	(9,203)
Financing Activities		
<i>Purchase of Company's own share</i>	(555)	(1,357)
<i>Interest paid</i>	(80)	(97)
<i>Borrowing</i>	506	2,200
Net cash used in financing activities	(129)	746
Net Changes in Cash & Cash Equivalents	3,898	(9,890)
Effect of exchange rate & fluctuations on cash held	24	(30)
Cash & Cash Equivalents at beginning of financial period	48,293	59,910
Cash & Cash Equivalents at end of the financial period	52,215	49,990

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2015 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 statement 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 2015.

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 2015.

The Group has not early adopted new or revised standards, amendments and interpretation that have been issued but not yet effective for the Group’s accounting period beginning 1 May 2015.

The initial application of the accounting standards, amendments or interpretations is not expected to have any material financial impacts to the current period and prior period financial statements of the Group upon their first adoption .

A2 Audit report of preceding annual financial statement

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

A3 Seasonal or cyclical factors

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

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

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

A5 Material changes in estimates

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



A6 Debt and equity securities

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

The details of shares held as treasury shares for the period ended 31 July 2015 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 May 2015	7,207,888	14,712,410
Repurchased during the quarter	242,200	554,091
Balance as at 31 July 2015	7,450,088	15,266,501

The repurchase transactions were financed by internally generated funds.

As at 15 September 2015, the treasury shares held were 7,587,888 ordinary shares with total purchase consideration of RM 15,562,657.

A7 Dividend

No dividend has been paid for the quarter under review.

A8 Segment information

Details of segmental analysis for the period ended 31 July 2015 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	36,745	9,258	7,576	1,797	-	55,376
Inter-segment revenue	14	15,386	-	2,935	(18,335)	-
Total revenue	36,759	24,644	7,576	4,732	(18,335)	55,376
RESULT						
Segment result	6,236	1,780	(150)	328	517	8,711
Finance costs						(80)
Interest income						162
Share of profit of equity-accounted investee, net of tax						11
Profit before taxation						8,804
Income tax expenses						(2,273)
Net profit for the period						6,531



A8 Segment information (continued)

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	108,410	148,450	29,684	25,451	-	311,995
Segment liabilities	16,352	19,831	1,725	2,272	-	40,180

A9 Property, plant and equipment

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

A10 Material events subsequent to the end of the interim period

There was no material events subsequent to the current financial quarter ended 31 July 2015.

A11 Changes in the composition of the Group

There was no change in the composition of the Group during the interim period.

A12 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 15 Sept 2015	As at 31 Jul 2015	As at 30 Apr 2015
	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 15 Sept 2015	As at 31 Jul 2015	As at 30 Apr 2015
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	1,197	1,266	1,366
	<hr/>	<hr/>	<hr/>
	1,197	1,266	1,366
	<hr/>	<hr/>	<hr/>



A13 Capital commitment

The capital commitment of the Group for the period ended 31 July 2015 is as follows:

	RM'000
Approved and contracted for in respect of capital expenditure.	327

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 2015, the Group recorded higher revenue and pre-tax profit of RM 55.4 million and RM 8.8 million as compared to RM 49.8 million and RM 8.4 million, increased by 11.2% and 4.7% respectively. The increase in pre-tax profit was mainly attributable to higher revenue achieved by the MLM division:

(i) Multi-level marketing (“MLM”) division

Revenue and pre-tax profit increased by 29% and 37% to RM 36.7 million and RM 6.3 million, respectively as compared to the preceding year's corresponding quarter. The success in promoting both the “big & small ticket” items had contributed to the overall increase in revenue and pre-tax profit of the division, especially from the recurring sales of “small ticket” items and increased in new members' recruitment.

(ii) Wholesale division

The slowdown in economy and weakening of Ringgit Malaysia against USD currency had affected the sentiment of the industry as a whole. The medical halls customers had cut down their purchases after stocked up on inventories before the GST came into effect on 1 April 2015. Despite an increase in inter-segment sales by 14% in the current quarter, the external revenue decreased by 22%, from RM 11.8 million to RM 9.3 million as compared to the preceding year's corresponding quarter. The decrease in external revenue was primarily due to lower sales volume from Chinese medicated tonic and patented medicine from medical hall customers post implementation of GST.

(iii) Retail division

Despite the slowdown in current economy, the division has maintained its revenue at approximately RM 7.6 million with marginal loss position. The division has been carried out its post-GST sales promotion to members with the objective to promote health supplement products without additional cost burden on consumers by absorbing the GST. The operating loss was mainly due to higher one-off personnel costs rewarded to staff in commemoration of Hai-O's 40th year Anniversary.



(iv) Other division

The manufacturing division was operating in a more optimum production level in the current quarter, despite recording a marginal increase in external revenue by about 11% to RM 0.5 million, the inter-segment sales increased by more than two fold to RM 1.3 million. Hence, this division improved its performance from operating loss to pre-tax profit of RM 0.3 million as compared to previous year's corresponding quarter.

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

For the first quarter under review, the Group registered lower revenue and pre-tax profit of RM 55.4 million and RM 8.8 million as compared with the immediate preceding quarter of RM 70.4 million and RM 15.5 million respectively, this was mainly attributable to the lower revenue generated from its main three divisions:

(i) MLM division

Revenue decreased by about 4% to RM 36.7 million as compared to the immediate preceding quarter of RM 38.4 million. The higher revenue in preceding quarter was mainly contributed by the higher sales from incentive trip promotion campaign for second line distributors. The post sales campaign activities are usually remain subdued in subsequent months, furthermore the Ramadan fasting month has also slowdown the activities of the distributors which has resulted in the drop of revenue in the current quarter.

(ii) Wholesale division

The business sentiment in the first quarter was affected negatively after the implementation of GST, with revenue decreased by almost 43% to RM 9.3 million as compared with the immediate preceding quarter of RM 16.4 million. The pre-GST sales campaign in the last quarter had contributed higher revenue as majority of its customers had stocked up on inventories.

Furthermore, lower pre-tax profit of about RM 1.0 million as compared with RM 3.0 million in previous quarter was mainly due to lower revenue achieved and higher expenses incurred in commemoration of Hai-O's 40th year Anniversary. Higher corporate branding costs incurred were to enhance Hai-O corporate image as a key player in the TCM industry.

(iii) Retail division

Higher revenue in the immediate preceding quarter was mainly due to the contribution from Chinese New Year's sales and year-end Grand members' sales campaign. Besides, consumers had stocked up on consumer goods before GST came into effect on 1st April 2015. Hence revenue decreased to RM 7.6 million post implementation of GST as compared with the immediate preceding quarter of RM 14.2 million. Furthermore, the weakening of purchasing power coupled with high costs of living had deterred further the spending by consumers after the implementation of GST.



B3 Commentary on prospects for the next quarter

The weakening of Ringgit Malaysia against currencies of its major trading partners has a negative impact on import costs. Besides, weaker domestic demand and lower purchasing power coupled with higher inflation costs will further impact the business sentiment.

The MLM division will concentrate to promote its existing products by having effective sales campaign activities and to intensify new members' recruitment activities in the coming quarters. Currently, the division is expanding its existing products by enhancing its packaging and reinventing selected star products targeting to a new group of customers. For the Wholesale division, it will continue to expand its marketing channel to non-traditional customers such as hypermarkets, restaurants and liquor shops. In addition to that, the Wholesale division is looking to secure more new agency from overseas. For the Retail division, it will focus on reformulating selected health products to tap younger consumers' market. Besides, the division is planning to have a joined promotion programme with other business affiliates to counter post-GST impact with an attractive discount given in order to make its products more affordable especially to the younger generation.

With various measures taken by the Group to mitigate the negative impact, the Board of Directors is optimistic of the Group's performance 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 Jul 2015 (RM '000)	Current year to date 31 Jul 2015 (RM '000)
Profit before taxation	8,804	8,804
Taxation at applicable tax rate – 24%	2,113	2,113
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in profit or loss	160	160
Total Income Tax Expenses	2,273	2,273



B6 Corporate Proposals

There were no corporate proposals for the year under review.

B7 Group Borrowings and Debts Securities

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

Group Borrowings	Currency	Secured/ Unsecured	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	2,738
Short Term Borrowings	Ringgit Malaysia	Secured	1,680
Long Term Borrowings	Ringgit Malaysia	Secured	-
Total			4,418

B8 Material Litigation

The Group is 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 Dividend payable

No interim dividend has been declared for the quarter under review (31/7/2014: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 31.07.2015 RM'000	As at 30.04.2015 RM'000 (Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	176,564	170,104
- Unrealised	1,443	1,800
	178,007	171,904
Total share of retained profits of an associate		
- Realised	(5)	(5)
Total share of retained profits of jointly controlled entities:		
- Realised	1,593	1,587
- Unrealised	(112)	(112)
	179,483	173,374
Less: Consolidation adjustments	(5,828)	(6,344)
Total Group retained profits as per consolidated accounts	173,655	167,030



B11 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING YEAR
	31-Jul-15	31-Jul-14	31-Jul-15	31-Jul-14
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent (RM'000)	6,625	6,223	6,625	6,223
Weighted average number of shares ('000)	195,235	196,568	195,235	196,568
Basic earnings per share (sen)	3.39	3.17	3.39	3.17

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