



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

Unaudited Interim Financial Report
31 October 2012



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

	AS AT END OF CURRENT QUARTER 31/10/2012 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2012 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	62,269	62,076
<i>Investment properties</i>	45,218	45,202
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	1,558	1,464
<i>Available-for-sale investment</i>	216	226
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	560	397
<i>Deferred tax assets</i>	3,058	2,927
	112,964	112,377
Current Assets		
<i>Inventories</i>	44,912	37,795
<i>Trade and other receivables</i>	20,138	27,966
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	64,389	57,325
<i>Cash and Cash Equivalents</i>	68,110	54,181
	197,549	177,267
TOTAL ASSETS	310,513	289,644
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	101,095	101,095
<i>Treasury Shares</i>	(8,788)	(5,939)
<i>Other reserve</i>	574	483
<i>Retained earnings</i>	152,414	126,040
	245,295	221,679
Non-controlling interest	10,644	9,727
Total Equity	255,939	231,406
Non-current Liabilities		
<i>Borrowings</i>	6,712	8,097
<i>Deferred tax</i>	123	31
	6,835	8,128
Current Liabilities		
<i>Trade & other payables</i>	30,178	32,488
<i>Short term borrowings</i>	7,394	5,185
<i>Short-term provision</i>	4,795	4,278
<i>Current tax payable</i>	5,372	8,159
	47,739	50,110
Total Liabilities	54,574	58,238
TOTAL EQUITY AND LIABILITIES	310,513	289,644
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.24	1.11

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 October 2012
The figures have not been audited.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2012	31/10/2011	31/10/2012	31/10/2011
	RM'000	RM'000	RM'000	RM'000
Revenue	65,855	56,199	127,000	107,172
Cost of sales	(40,112)	(34,910)	(77,796)	(64,662)
Gross Profit	25,743	21,289	49,204	42,510
Other income	7,140	1,333	8,890	2,504
Depreciation	(672)	(676)	(1,442)	(1,360)
Administrative expenses	(5,022)	(4,328)	(9,330)	(8,854)
Selling & distribution expenses	(6,305)	(6,332)	(12,588)	(12,135)
Other expenses	(504)	(75)	(571)	(417)
Operating Profit	20,380	11,211	34,163	22,248
Interest income	282	239	523	462
Finance costs	(163)	(200)	(340)	(396)
Profit before taxation	20,499	11,250	34,346	22,314
Income tax expenses	(4,001)	(2,844)	(7,510)	(5,869)
Profit for the period	16,498	8,406	26,836	16,445
Profit attributable to:				
Owner of the parent	16,101	7,868	26,374	15,601
Non-controlling interest	397	538	462	844
	16,498	8,406	26,836	16,445
Earnings Per Share attributable to equity holders of the parent				
- Basic	8.11	3.94	13.29	7.82
- 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.



Quarterly report on consolidated results for the financial period ended 31 October 2012
The figures have not been audited.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2012	31/10/2011	31/10/2012	31/10/2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period	16,498	8,406	26,836	16,445
Other comprehensive income				
- Fair value adjustment through financial assets	-	-	-	-
- Foreign currency translation differences for foreign operations	(80)	(1)	91	(1)
Total comprehensive Income for the period	16,418	8,405	26,927	16,444
Total comprehensive income attributable to:				
Owner of the parent	16,021	7,867	26,465	15,600
Non-controlling Interest	397	538	462	844
	16,418	8,405	26,927	16,444

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 OCTOBER 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)	
6 month ended 31 October 2012								
Balance as at 30 April 2012	101,095	(5,939)	(174)	657	126,040	221,679	9,727	231,406
Profit for the period	-	-	-	-	26,374	26,374	462	26,836
Other comprehensive income for the period	-	-	91	-	-	91	-	91
Total comprehensive income for the period	-	-	91	-	26,374	26,465	462	26,927
Acquisition of interest in a subsidiary by non-controlling interest	-	-	-	-	-	-	489	489
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	(34)	(34)
Purchase of Company's own shares	-	(2,849)	-	-	-	(2,849)	-	(2,849)
Balance at end of financial period	101,095	(8,788)	(83)	657	152,414	245,295	10,644	255,939
6 month ended 31 October 2011								
Balance as at 30 April 2011	101,095	(4,291)	(150)	657	107,084	204,395	8,290	212,685
Profit for the period	-	-	-	-	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)
Balance at end of financial period	101,095	(5,310)	(151)	657	122,685	218,976	9,048	228,024

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.



**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 OCTOBER 2012**

	2013 6 month ended 31/Oct/12 (RM '000)	2012 6 month ended 31/Oct/11 (RM '000)
Net Profit before tax	34,346	22,314
Adjustment for non-cash flow :-		
Depreciation	1,442	1,360
Dividend income	(995)	(611)
Fair value (gain)/loss on other investments	(269)	(95)
Finance costs	340	396
Finance income	(523)	(462)
Gain on disposal of shares	(50)	-
Gain on disposal of property, plant and equipment	(4,929)	-
Impairment losses	-	38
Loss on disposal of property, plant and equipment	17	-
Property, plant and equipment written off	-	8
Provision for sales campaign	1,800	1,800
Unrealised foreign exchange differences	293	(49)
Operating profit before changes in working capital	31,472	24,699
Changes in working capital		
<i>Inventories</i>	(7,117)	2,786
<i>Net Change in trade and other receivables</i>	1,684	(2,840)
<i>Net Change in trade and other payables</i>	(3,886)	233
<i>Tax paid</i>	(4,355)	(4,791)
	(13,674)	(4,612)
Net cash flows from operating activities	17,798	20,087
Investing Activities		
<i>Proceeds from disposal of other investment</i>	1,063	11,370
<i>Purchase of other investment</i>	(7,892)	(23,992)
<i>Purchase of property, plant and equipment</i>	(3,262)	(926)
<i>Proceeds from disposal of property, plant and equipment</i>	6,532	-
<i>Dividend received</i>	995	611
<i>Interest received</i>	523	462
<i>Acquisition of interests from non-controlling interest</i>	(34)	-
<i>Acquisition of interests in subsidiaries by non-controlling interest</i>	489	-
Net cash used in investing activities	(1,586)	(12,475)
Financing Activities		
<i>Purchase of Company's own share</i>	(2,849)	(1,019)
<i>Interest paid</i>	(340)	(396)
<i>Borrowing</i>	824	(2,111)
Net cash used in financing activities	(2,365)	(3,526)
Net Changes in Cash & Cash Equivalents	13,847	4,086
Effect of exchange rate & fluctuations on cash held	82	(9)
Cash & Cash Equivalents at beginning of financial period	54,181	46,054
Cash & Cash Equivalents at end of the financial period	68,110	50,131

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 October 2012 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 Aug 2012	4,315,788	7,826,483
Repurchased during the quarter	470,500	961,821
Balance as at 31 Oct 2012	4,786,288	8,788,304

The repurchase transactions were financed by internally generated funds.

As at 12 December 2012, the treasury shares held were 4,911,188 ordinary shares with total purchase consideration of RM 9,053,738.

A8 Dividend paid

A final single tier dividend of 7 sen, amounting to RM 13,816,173 in respect of the previous financial year as approved by the shareholders at the Annual General Meeting held on 18 October 2012 was paid on 30 November 2012.

A9 Segment information

Details of segmental analysis for the period ended 31 October 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	81,041	23,231	18,567	4,161	-	127,000
Inter-segment revenue	-	31,271	-	4,639	(35,910)	-
Total revenue	81,041	54,502	18,567	8,800	(35,910)	127,000
RESULT						
Segment result	14,395	9,537	1,750	8,585	(104)	34,163
Finance costs						(340)
Interest income						523
Profit before taxation						34,346
Income tax expenses						(7,510)
Net profit for the period						26,836



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 October 2012 except for the following:

The Company had on 2 November 2012, via its wholly-owned subsidiary, Hai-O Marketing Sdn Bhd incorporated a wholly-owned subsidiary, namely Seagull Biolym Sdn Bhd (“Seagull Biolym”), with an initial paid-up share capital of RM 2 comprising 2 ordinary shares of RM 1.00 each.

A12 Changes in the composition of the Group

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

A13 Contingent liabilities

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

<u>Company</u>	As at 12 Dec 2012	As at 31 Oct 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 Dec 2012	As at 31 Oct 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	1,391	1,591	1,591
	<hr/>	<hr/>	<hr/>
	1,391	1,591	1,591



A14 Capital commitment

The capital commitment of the Group for the period ended 31 October 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

Current quarter compared to the preceding year's corresponding quarter

For the second quarter under review, the Group recorded higher revenue and pre-tax profit of RM 66 million and RM 20 million as compared to RM 56 million and RM 11 million, respectively of the corresponding quarter of the preceding year. The increase in the Group's trading profit was mainly contributed by the multi-level marketing ("MLM") and wholesale divisions.

(i) MLM division

The pre-tax profit increased by about 27% as compared to the corresponding quarter of the preceding year. This was primarily attributable to larger sales from high-margin foundation garments, series of health food and a newly launched wellness product.

(ii) Wholesale division

The trading profit improved by almost double, from RM 2.9 million to RM 5.7 million as compared to the preceding year's corresponding quarter. The increase in pre-tax profit was mainly derived from inter-segment sales of high margin products and higher sales to duty free shops.

(iii) Retail division

The pre-tax profit has maintained at about RM 1.5 million in the second quarter as compared to the preceding year's corresponding quarter. Despite higher operating costs and A&P expenses, contribution from house brand products with higher margin had minimized the impact from the increase in costs.

(iv) Other division

The pre-tax profit increased by about RM 5.4 million mainly derived from gain on disposal of one of its freehold vacant land amounting to RM 4.8 million, higher contribution from manufacturing division and advertising services coupled with higher dividend received had also resulted higher profit for second quarter.



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

For the second quarter ended 31 October 2012, the Group recorded higher revenue and pre-tax profit of RM 127 million and RM 34 million, as compared to RM 107 million and RM 22 million respectively:

(i) MLM division

This division achieved higher revenue and pre-tax profit of about RM 81 million and RM 14 million, as compared to RM 61 million and RM 10 million in the preceding year, increase by about 33% and 40% respectively. This division contributed about 64% and 42% of the total revenue and pre-tax profit for the Group. The contribution was mainly from its sale of high-margin foundation garments, series of health food products and a newly launched health wellness product. The well acceptance of these products and additional contribution from new members' sales had contributed notable revenue to the division.

(ii) Wholesale division

The external revenue in wholesale division dropped marginally by about 2.5%, as sales has been slowing down due to prolonged weak market condition in the domestic economy since first quarter. The sales of Chinese medicated tonic dropped by about 7% as the Chinese Medical halls had cut down orders when consumers turn more cautious amidst economy uncertainty.

Despite the marginal drop in revenue, pre-tax profit has increased 30% from RM 7.3 million to RM 9.5 million, mainly attributable to higher sales from patented medicine products, more goods supplied to duty free shops due to higher tourist arrival rate in Malaysia and increase in inter-segment sales.

(iii) Retail division

Revenue and pre-tax profit dropped by about 4% and 24% respectively. The success of its annual members' sales campaign in the second quarter had narrowed down the drop in first quarter's revenue and pre-tax profit. Domestic consumption has not improved since first quarter, sales volume has declined despite the management has been putting in more efforts on marketing its products. The financial performance had affected by the increase in operating and staff costs. Moreover, the new outlets which opened since last financial year has yet to turn around to make any positive contribution

(iv) Other division

Other division is inclusive of manufacturing division, advertising services and property investment division. The pre-tax profit increased from RM 2.6 million to RM 8.6 million mainly derived from the disposal of one freehold vacant land which had contributed about RM 4.8 million to the Group's profit. Other incremental in profit was generated from the advertising services and manufacturing division coupled with one-off compensation amounting to RM 570,000, as a result of 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 second quarter under review, the Group recorded higher revenue and pre-tax profit of RM 66 million and RM 20.5 million as compared to RM 61 million and RM 13.8 million respectively of the immediate preceding quarter, which was mainly attributable to higher sales in the wholesale, retail and other divisions:

Wholesale division -- Despite the increase in revenue by about 9% , pre-tax profit had increased by 53%. The better performance in this division was mainly contributed by higher sales in the Chinese medicated tonic and higher inter-segmental sales on high margin product sold.

Retail division -- The members' sales promotion which carried out in the second quarter had boosted up the profit substantially by RM 1.4 million, this was mainly contributed from high margin house brand products.

Other division -- The pre-tax profit increased by about RM 5.1 million as compared with immediate preceding quarter, which was mainly generated from the disposal of one freehold vacant land amounting to RM 4.8 million and higher dividend received.

B3 Commentary on prospects

The MLM division is anticipated to perform satisfactory on the back of continuous effort to enhance its products mix, expand new market channels as well as to recruit more new members. Furthermore, it will continue to conduct more product training for its distributors to continuously enhance their knowledge and services. The wholesale and retail divisions are currently operating in a challenging environment as the slowdown of general economy has weakened the purchasing power of domestic consumers. However, these two divisions will continue to implement more effective advertising and promotion programme by targeting to the right audience. The manufacturing division has seen more orders in hand and is optimistic that its performance will continue to improve further.

In view thereof , 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 lower than the statutory tax rate due mainly to certain income which are not subject to tax and the utilisation of capital allowance.

	Current Quarter Ended 31 October 2012 (RM '000)	Current year to date 31 October 2012 (RM '000)
Profit before taxation	20,499	34,346
Taxation at applicable tax rate – 25%	5,125	8,587
Adjustment mainly due to certain non-taxable income and utilisation of capital allowance	(1,124)	(1,077)
Total income Tax expenses	4,001	7,510

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	4,699
Short Term Borrowings	Ringgit Malaysia	Secured	2,695
Long Term Borrowings	Ringgit Malaysia	Secured	6,712
Total			14,106

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 Dividend payable

The Board of Directors is pleased to declare an interim single tier dividend of 4 sen per share and a special single tier dividend of 2 sen per share in respect of the financial year ending 30 April 2013. (31/10/2011: 2 sen interim single tier).

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 31.10.2012 RM'000	As at 30.04.2012 RM'000 (Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	155,974	128,893
- Unrealised	2,512	2,716
	158,486	131,609
Total share of retained profits From jointly controlled entities:		
- Realised	1,536	1,401
	160,022	133,010
Less: Consolidation adjustments	(7,608)	(6,970)
Total Group retained profits as per consolidated accounts	152,414	126,040



B11 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Oct-12	PRECEDING YEAR CORRESPONDING QUARTER 31-Oct-11	CURRENT YEAR TO DATE 31-Oct-12	PRECEDING YEAR CORRESPONDING YEAR 31-Oct-11
Earnings				
Net profit for the year attributable to equity holders of the parent ('000)	16,101	7,868	26,374	15,601
Weighted average number of shares ('000)	198,510	199,495	198,510	199,495
Basic earnings per share (sen)	8.11	3.94	13.29	7.82

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