



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

Unaudited Interim Financial Report
31 January 2015



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

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

	AS AT END OF CURRENT QUARTER 31/01/2015 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2014 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	65,098	64,773
<i>Investment properties</i>	50,342	41,739
<i>Investment in jointly control entity</i>	2,336	2,267
<i>Investment in an associates</i>	-	-
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	217	209
<i>Available-for-sale investment</i>	186	186
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	667	378
<i>Deferred tax assets</i>	2,504	2,809
	121,435	112,446
Current Assets		
<i>Inventories</i>	63,443	58,549
<i>Trade and other receivables</i>	26,453	19,714
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	50,782	58,173
<i>Cash and Cash Equivalents</i>	45,098	59,910
	185,776	196,346
TOTAL ASSETS	307,211	308,792
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	101,095	101,095
<i>Treasury Shares</i>	(14,198)	(11,882)
<i>Other reserve</i>	461	465
<i>Retained earnings</i>	157,904	164,392
	245,262	254,070
Non-controlling interest	11,175	11,480
Total Equity	256,437	265,550
Non-current Liabilities		
<i>Borrowings</i>	155	2,414
<i>Deferred tax</i>	47	79
	202	2,493
Current Liabilities		
<i>Trade & other payables</i>	42,997	32,806
<i>Short term borrowings</i>	4,675	3,208
<i>Short-term provision</i>	1,870	3,067
<i>Current tax payable</i>	1,030	1,668
	50,572	40,749
Total Liabilities	50,774	43,242
TOTAL EQUITY AND LIABILITIES	307,211	308,792
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.26	1.30

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2014 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 January 2015
The figures have not been audited.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2015	31/01/2014	31/01/2015	31/01/2014
	RM'000	RM'000	RM'000	RM'000
Revenue	61,960	71,637	169,470	191,921
Cost of sales	(40,748)	(45,206)	(109,481)	(119,737)
Gross Profit	21,212	26,431	59,989	72,184
Other income	2,967	2,171	6,811	6,410
Depreciation	(835)	(769)	(2,355)	(2,246)
Administrative expenses	(5,131)	(6,080)	(15,419)	(16,092)
Selling & distribution expenses	(8,771)	(7,804)	(21,698)	(19,428)
Other expenses	(236)	(179)	(439)	(890)
Operating Profit	9,206	13,770	26,889	39,938
Interest income	292	473	842	1,032
Finance costs	(62)	(75)	(239)	(310)
Share of profit of equity-accounted investee, net of tax	29	(16)	69	(75)
Profit before taxation	9,465	14,152	27,561	40,585
Income tax expenses	(2,396)	(3,520)	(6,803)	(10,335)
Profit for the period	7,069	10,632	20,758	30,250
Profit attributable to:				
Owner of the parent	7,308	10,417	20,698	29,745
Non-controlling interest	(239)	215	60	505
	7,069	10,632	20,758	30,250
Earnings Per Share attributable to equity holders of the parent				
- Basic	3.73	5.29	10.57	15.10
- 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 2014 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 January 2015
The figures have not been audited.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2015	31/01/2014	31/01/2015	31/01/2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period	7,069	10,632	20,758	30,250
Other comprehensive income				
- Foreign currency translation differences for foreign operations	25	(36)	(4)	(209)
Total comprehensive Income for the period	7,094	10,596	20,754	30,041
Total comprehensive income attributable to:				
Owner of the parent	7,333	10,381	20,694	29,536
Non-controlling Interest	(239)	215	60	505
	7,094	10,596	20,754	30,041

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2014 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JANUARY 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)	(RM'000)
9 month ended 31 January 2015								
Balance as at 30 April 2014	101,095	(11,882)	(192)	657	164,392	254,070	11,480	265,550
Profit for the period	-	-	-	-	20,698	20,698	60	20,758
Other comprehensive income for the period	-	-	(4)	-	-	(4)	-	(4)
Total comprehensive income for the period	-	-	(4)	-	20,698	20,694	60	20,754
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	167	167	(244)	(77)
Dividend	-	-	-	-	(27,353)	(27,353)	(121)	(27,474)
Purchase of Company's own shares	-	(2,316)	-	-	-	(2,316)	-	(2,316)
Balance at end of financial period	101,095	(14,198)	(196)	657	157,904	245,262	11,175	256,437

9 month ended 31 January 2014

Balance as at 30 April 2013	101,095	(9,748)	(71)	657	147,633	239,566	11,090	250,656
Profit for the period	-	-	-	-	29,745	29,745	505	30,250
Other comprehensive income for the period	-	-	(209)	-	-	(209)	-	(209)
Total comprehensive income for the period	-	-	(209)	-	29,745	29,536	505	30,041
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	(32)	(32)	(20)	(52)
Dividend	-	-	-	-	(23,619)	(23,619)	(49)	(23,668)
Purchase of Company's own shares	-	(615)	-	-	-	(615)	-	(615)
Balance at end of financial period	101,095	(10,363)	(280)	657	153,727	244,836	11,526	256,362

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2014 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 2015**

	2015 9 month ended 31/01/2015 (RM '000)	2014 9 month ended 31/01/2014 (RM '000)
Profit before tax	27,561	40,585
Adjustment for :-		
Depreciation	2,355	2,287
Dividend income	(1,123)	(1,412)
Fair value (gain)/loss on other investments	(470)	(536)
Finance costs	239	310
Finance income	(842)	(1,032)
Gain on disposal of subsidiary	(15)	(122)
Gain on disposal of property, plant and equipment	(31)	(751)
Property, plant and equipment written off	116	-
Share of profit of equity-accounted investee, net of tax	(69)	76
Provision for sales campaign	(1,197)	(451)
Unrealised foreign exchange differences	62	177
Operating profit before changes in working capital	26,586	39,131
Changes in working capital		
<i>Inventories</i>	(4,894)	(8,930)
<i>Net Change in trade and other receivables</i>	(5,694)	(1,896)
<i>Net Change in trade and other payables</i>	2,322	1,218
<i>Tax paid</i>	(8,487)	(12,165)
	(16,753)	(21,773)
Net cash flows from operating activities	9,833	17,358
Investing Activities		
<i>Accretion of equity interests in subsidiaries</i>	(77)	(52)
<i>Proceeds from disposal of other investment</i>	13,500	7,384
<i>Proceeds from quoted shares</i>	-	1,425
<i>Proceeds from disposal of property, plant and equipment</i>	36	6,497
<i>Purchase of other investment</i>	(5,647)	(8,829)
<i>Purchase of property, plant and equipment & Investment properties</i>	(11,400)	(3,790)
<i>Dividend received</i>	1,123	1,412
<i>Interest received</i>	842	1,032
Net cash used in investing activities	(1,623)	5,079
Financing Activities		
<i>Purchase of Company's own share</i>	(2,316)	(615)
<i>Interest paid</i>	(239)	(310)
<i>Dividend paid</i>	(19,667)	(15,798)
<i>Borrowing</i>	(792)	(5,682)
Net cash used in financing activities	(23,014)	(22,405)
Net Changes in Cash & Cash Equivalents	(14,804)	32
Effect of exchange rate & fluctuations on cash held	(8)	(178)
Cash & Cash Equivalents at beginning of financial period	59,910	64,252
Cash & Cash Equivalents at end of the financial period	45,098	64,106

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2014 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 2014.

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 2014.

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 2014.

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 January 2015 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 Nov 2014	6,723,588	13,559,392
Repurchased during the quarter	265,100	638,442
Balance as at 31 Jan 2015	6,988,688	14,197,834

The repurchase transactions were financed by internally generated funds.

As at 17 March 2015, the treasury shares held were 7,103,188 ordinary shares with total purchase consideration of RM 14,470,449.

A7 Dividend

An interim single tier dividend of 4 sen, amounting to RM 7,806,888 in respect of the current financial year ending 30 April 2015 was paid on 5 March 2015.



A8 Segment information

Details of segmental analysis for the period ended 31 January 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	97,152	40,294	26,491	5,533	-	169,470
Inter-segment revenue	93	56,407	13	7,516	(64,029)	-
Total revenue	97,245	96,701	26,504	13,049	(64,029)	169,470
RESULT						
Segment result	19,510	3,387	315	3,863	(186)	26,889
Finance costs						(239)
Interest income						842
Share of profit of equity-accounted investee, net of tax						69
Profit before taxation						27,561
Income tax expenses						(6,803)
Net profit for the period						20,758
<hr/>						
Segment assets	100,625	150,869	30,968	24,749	-	307,211
Segment liabilities	16,817	29,796	1,883	2,278	-	50,774

9 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 January 2015.



A11 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:

The Company had acquired additional 21,000 ordinary shares of RM 1.00 each in the share capital of Hai-O Raya Bhd, for a total cash consideration of RM 50,000 during the quarter.

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 17 Mar 2015	As at 31 Jan 2015	As at 30 Apr 2014
	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 17 Mar 2015	As at 31 Jan 2015	As at 30 Apr 2014
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	1,154	1,154	1,153
	<u>1,154</u>	<u>1,154</u>	<u>1,179</u>

A13 Capital commitment

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

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



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 third quarter under review, the Group registered lower revenue and pre-tax profit of RM 62 million and RM 9.5 million as compared to RM 71.6 million and RM 14.2 million respectively. The decrease in Group's pre-tax profit was mainly attributable to lower revenue generated by the Group:

(i) Multi-level marketing ("MLM") division

Despite its revenue decrease marginally by about 4% from RM 38.5 million to RM 37 million as compared to the previous year's corresponding quarter, the pre-tax profit was maintained at RM 8.7 million driven mainly by lower marketing costs in the quarter under review.

(ii) Wholesale division

The external revenue decreased by about 17% to RM 14 million as compared to the preceding year's corresponding quarter, with the pre-tax profit reduced from RM 3 million to marginal profit. The reduction in pre-tax profit was primarily attributable to lower inter-segment sales to MLM division coupled with lower revenue generated from the sale of Chinese medicated tonic and duty free products. The pre-tax profit was further eroded by higher import costs due the weakening of RM against USD currency during the quarter under review.

(iii) Retail division

Revenue decreased by RM 4 million to RM 9 million as compared to previous year's corresponding quarter. This was mainly due to the pre-Chinese New Year ("CNY") sale fell in the 4th quarter of this current financial year as opposed to 3rd quarter of last financial year. Majority of the consumers had their last minutes purchase before CNY.



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

For the nine months period ended 31 January 2015, the Group recorded lower revenue and pre-tax profit of RM 169.5 million and RM 27.6 million, representing a decrease of 12% and 32 % respectively. This was primarily due to lower revenue generated by the Group in view of the poor domestic market sentiments :

(i) Multi-level marketing ("MLM") division

The MLM division recorded lower revenue and pre-tax profit of RM 97.2 million and RM 19.5 million as compared to RM 111.6 million and RM 21.7 million of the preceding year, respectively. The drop in revenue and pre-tax profit were mainly due to lower sales in "big ticket" items as distributors had focused on more affordable items which require smaller capital outlay. However, lower unit selling price of "small ticket" items are not able to compensate the fall in sales of "big ticket" items. Moreover, with the increase in marketing costs, the overall scenario has affected the profit of the division.

The positive sign is that the revenue generated from "small and medium ticket" items has been increasing gradually since its introduction two years ago. It has currently contributed almost 2/3 of the total portfolio in this current financial period as compared to less than 50% in the previous year. Besides, sales from newly launched "small ticket" items has been overwhelming received, thus contributing about RM 8.5 million to the total revenue of the division.

(ii) Wholesale division

Due to the uncertainties in domestic economies outlook and the coming Goods and Service Tax (GST) implementation, customers are more cautious in goods ordering. External revenue was lower by 7% to RM 40.3 million with pre-tax profit reduced from RM 11.6 million to RM 3.4 million. This was primarily due to lower inter-segment sales coupled with lower external sales generated from Chinese medicated tonic, tea and Chinese herbs which had affected the overall performance of the division. The weakening of RM against USD currency by about 11% during the period under review has further eroded the margin of the division.

(iii) Retail division

Revenue was lower by 14% to RM 26.5 million as compared to the preceding year's corresponding period, the pre-Chinese New Year ("CNY") sale fell in the 4th quarter of this current financial year as opposed to 3rd quarter of last financial year, which has resulted lower sale for the nine months period ended 31 January 2015. Besides, weak domestic consumption sentiments also affected the overall business environment of the retail division.

The division has been controlling its operating costs despite operating in a high cost environment, loss making outlets has and will be re-located to a more traffic location so to improve the operational efficiency.

(iv) Other division

The pre-tax profit was lower by about 26% to RM 3.9 million as compared to previous year's corresponding quarter, higher profit in last year was mainly derived from the additional gain on disposal of a property amounting to RM 0.6 million and higher dividend received.



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

For the third quarter under review, the Group registered higher revenue of RM 62 million as compared with the immediate preceding quarter of RM 57.7 million, an increase of 7% which was mainly attributable to the higher revenue from MLM division:

(i) MLM division

The revenue and pre-tax profit have increased by 16% and 36% to RM 36.9 million and RM 8.7 million, respectively as compared to the immediate preceding quarter. The increase was mainly due to last-buy sales promotion prior to the imminent price increase and aggressively pursuing the recruitment of members. In addition, the lower operating costs for the quarter has also significantly contributed to the increase in profit for the division.

(ii) Wholesale division

Despite an increase in revenue from the sales of Chinese medicated tonic and health products in the quarter under review, it was offset by the drop in the sales of patented medicine and tea. Thus the revenue was maintained at about RM 14 million with pre-tax profit dropped by RM 1.1 million due to higher operating costs and weakening of RM against USD currency.

(iii) Retail division

Revenue was reduced from RM 9.8 million to RM 9.0 million, representing a decrease of 8%. The overall retail industries outlook are bearish as consumers are more cautious in spending especially on non-essential products. Moreover, higher operating costs in 3rd quarter had further lowered down the profit of the division.

B3 Commentary on prospects

The Group view the rising costs and weak domestic demand coupled with the impending implementation of goods and services tax will pose a greater challenge to all business sectors including Hai-O. The volatility of RM against USD currency will continue to have a negative impact on the cost of import purchases.

The wholesale division has been affected by the weakening of RM and weak consumers' purchasing power which the division believes these negative sentiments may continue for the remaining quarter of the financial year. The MLM division has launched a new version on one of its "big ticket" items and will carry out its sales campaign in the coming quarter. As for retail division, it has been controlling its operating costs to emphasize on operational efficiency. The division will carry out its year end members' sale promotion in the next quarter which will contribute positive result to the Group

In view of the above, the Board of Directors remains optimistic and is of the opinion that the Group will continue to perform profitability 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 Jan 2015 (RM '000)	Current year to date 31Jan 2015 (RM '000)
Profit before taxation	9,465	27,561
Taxation at applicable tax rate – 24%	2,272	6,615
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	124	188
Total Income Tax Expenses	2,396	6,803

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:

Group Borrowings	Currency	Secured/ Unsecured	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	1,674
Short Term Borrowings	Ringgit Malaysia	Secured	3,001
Long Term Borrowings	Ringgit Malaysia	Secured	155
Total			4,830

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 (31/1/2014: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 31.01.2015 RM'000	As at 30.04.2014 RM'000 (Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	158,443	164,775
- Unrealised	3,657	3,934
	162,100	168,709
Total share of retained profits of an associate		
- Realised	-	-
Total share of retained profits of jointly controlled entities:		
- Realised	1,544	1,605
- Unrealised	(48)	(98)
	163,596	170,216
Less: Consolidation adjustments	(5,692)	(5,824)
Total Group retained profits as per consolidated accounts	157,904	164,392



B11 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jan-15	PRECEDING YEAR CORRESPONDING QUARTER 31-Jan-14	CURRENT YEAR TO DATE 31-Jan-15	PRECEDING YEAR CORRESPONDING YEAR 31-Jan-14
<i>Earnings</i>				
Net profit for the year attributable to equity holders of the parent (RM'000)	7,308	10,417	20,698	29,745
Weighted average number of shares ('000)	195,853	197,064	195,853	197,064
Basic earnings per share (sen)	3.73	5.29	10.57	15.10

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