



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

Quarterly report on consolidated results for the financial year ended 31 July 2009
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 JULY 2009

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2009	31/07/2008	31/07/2009	31/07/2008
	RM'000	RM'000	RM'000	RM'000
Revenue	148,572	112,910	148,572	112,910
Operating expenses	(123,589)	(95,180)	(123,589)	(95,180)
Other operating income	1,338	830	1,338	830
Operating Profit	26,321	18,560	26,321	18,560
Interest income	172	329	172	329
Finance costs	(206)	(207)	(206)	(207)
Profit before taxation	26,287	18,682	26,287	18,682
Income tax expenses	(7,768)	(5,102)	(7,768)	(5,102)
Profit for the year	18,519	13,580	18,519	13,580
Attributable to:				
Equity holders of the parent	18,463	13,602	18,463	13,602
Minority interest	56	(22)	56	(22)
	18,519	13,580	18,519	13,580
Earnings Per Share attributable to equity holders of the parent				
- Basic	22.17	16.80	22.17	16.80
- Diluted	0.00	16.65	0	16.65

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2009 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 JULY 2009**

	AS AT END OF CURRENT QUARTER 31/07/2009 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2009 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	59,807	59,440
<i>Investment properties</i>	28,004	28,414
<i>Prepaid lease payments</i>	1,708	1,716
<i>Investments</i>	1,197	1,156
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	1,248	1,215
<i>Deferred tax assets</i>	1,825	2,158
	93,874	94,184
Current Assets		
<i>Inventories</i>	42,050	36,228
<i>Trade and other receivables</i>	39,343	36,590
<i>Short term investment</i>	28,596	30,480
<i>Cash and Cash Equivalents</i>	71,331	50,725
	181,320	154,023
TOTAL ASSETS	275,194	248,207
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	84,457	84,457
<i>Treasury Shares</i>	(4,121)	(3,912)
<i>Other reserve</i>	6,077	6,146
<i>Retained earnings</i>	97,505	79,042
	183,918	165,733
Minority Interests	6,362	6,306
Total Equity	190,280	172,039
Non-current Liabilities		
<i>Borrowings</i>	15,246	15,733
<i>Deferred tax</i>	-	79
	15,246	15,812
Current Liabilities		
<i>Trade & other payables</i>	52,336	47,081
<i>Short term borrowings</i>	3,980	3,728
<i>Short-term provision</i>	4,215	2,780
<i>Current tax payable</i>	9,137	6,767
	69,668	60,356
Total Liabilities	84,914	76,168
TOTAL EQUITY AND LIABILITIES	275,194	248,207
Net assets per share attributable to ordinary equity holders of the parent (RM)	2.21	1.99

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 April 2009 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JULY 2009**

	Attributable to Equity Holders of the Parent							Minority Interest	Total Equity	
	Share Capital	Non distributable			Distributable					Total
	Treasury shares	Share premium	Exchange fluctuation reserve	Capital reserve	Share option reserve	Retained Earnings				
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
3 month ended 31 July 2009										
Balance as at 1 May 2009 as previously stated	84,457	(3,912)	4,791	698	657	-	79,042	165,733	6,306	172,039
Foreign currency translation	-	-	-	(69)	-	-	-	(69)	0	(69)
Loss recognised directly in equity	-	-	-	(69)	-	-	-	(69)	-	(69)
Net profit for the financial period	-	-	-	-	-	-	18,463	18,463	56	18,519
Total recognised income and expenses for the year	-	-	-	(69)	-	-	18,463	18,394	56	18,450
Purchase of Company's own shares	-	(209)	-	-	-	-	-	(209)	-	(209)
Balance at end of financial period	84,457	(4,121)	4,791	629	657	-	97,505	183,918	6,362	190,280
3 month ended 31 July 2008										
Balance as at 1 May 2008	83,088	(6,291)	1,826	629	657	685	59,978	140,572	5,500	146,072
Net profit for the financial period	-	-	-	-	-	-	13,602	13,602	(22)	13,580
Total recognised income and expenses for the period	-	-	-	-	-	-	13,602	13,602	(22)	13,580
Ordinary shares issued pursuant to exercise of ESOS	997	-	1,695	-	-	-	-	2,692	-	2,692
Purchase of Company's own shares	-	(1,227)	-	-	-	-	-	(1,227)	-	(1,227)
Balance at end of financial period	84,085	(7,518)	3,521	629	657	685	73,580	155,639	5,478	161,117

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2009 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 2009**

	<u>2010</u> 3 month ended 31/Jul/09 (RM '000)	<u>2009</u> 3 month ended 31/Jul/08 (RM '000)
Net Profit before tax	26,287	18,682
Adjustment for non-cash flow :-		
Non-cash items	2,089	4,082
Non-operating items	(194)	(294)
Operating profit before changes in working capital	<u>28,182</u>	<u>22,470</u>
Changes in working capital		
<i>Net Change in current assets</i>	(8,599)	(5,365)
<i>Net Change in current liabilities</i>	5,204	(3,431)
<i>Tax paid</i>	(5,116)	(4,216)
	(8,511)	(13,012)
Net cash flows from operating activities	19,671	9,458
Investing Activities		
<i>Other investment</i>	1,620	(22,232)
<i>Quoted investment</i>	(38)	(131)
Net cash used in investing activities	1,582	(22,363)
Financing Activities		
<i>Purchase of Company's own share</i>	(209)	(1,227)
<i>Proceeds from issue of shares capital</i>	-	2,692
<i>Interest paid</i>	(206)	(207)
<i>Borrowing</i>	(232)	(1,293)
Net cash used in financing activities	(647)	(35)
Net Changes in Cash & Cash Equivalents	20,606	(12,940)
Cash & Cash Equivalents at beginning of financial period	50,725	73,266
Cash & Cash Equivalents at end of the financial period	<u>71,331</u>	<u>60,326</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2009 and the accompanying explanatory notes attached to the interim financial statements.



A. Notes To The Interim Financial Report

A1 Basis of preparation

The interim financial statements have been prepared in accordance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial report should be read in conjunction with the most recent annual financial statements of the Group for the year ended 30 April 2009.

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 2009.

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 were 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:-

- a) The details of shares held as treasury shares for the period ended 31 July 2009 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 May 2009	1,215,944	3,911,767
Repurchased during the quarter	52,400	209,729
Balance as at 31 July 2009	1,268,344	4,121,496

The repurchase transactions were financed by internally generated funds.

As at 23 September 2009, there were no additional repurchase of shares since 31 July 2009.

A7 Dividend paid

No dividend has been paid for the quarter under review.



A8 Segment information

Details of segmental analysis for the period ended 31 July 2009 are as follows:

Business Segment of the Group

	Wholesale	Multi-Level	Retailing	Manufacturing	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE							
External sales	8,894	130,319	7,906	405	1,048	0	148,572
Inter-segment sales	37,384	0	0	791	1,666	(39,841)	0
Total revenue	46,278	130,319	7,906	1,196	2,714	(39,841)	148,572
RESULT							
Segment result	4,128	21,209	305	209	265	205	26,321
Unallocated corporate expenses							-
Operating profit							26,321
Interest expense							(206)
Interest income							172
Profit before taxation							26,287
Taxation							(7,768)
Net profit for the period							18,519

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 were no material events subsequent to the current financial quarter ended 31 July 2009 up to the date of this report except for the following:

- (i) The Company had on 27 August 2009, via its wholly-owned subsidiary, Hai-O Marketing Sdn Bhd (“Hai-O Marketing”) disposed of its entire equity interest in Hai-O Marketing (Philippines) Inc. (“Hai-O Philippines”), comprising 7,500,488 ordinary shares of par value One Peso each for a total cash consideration of Ten Thousand Pesos or equivalent to approximately Ringgit Malaysia Seven Hundred Twenty Three only. With effect thereof, Hai-O Philippines ceased to be the subsidiary of Hai-O Marketing.



A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period except for the following:

- (i) On 24 July 2009, the Company's wholly owned subsidiary, Hai-O Marketing Sdn Bhd had disposed of its entire 48% equity interest in Hai-O Enterprise (C.M.) Sdn Bhd, comprising 624,000 ordinary shares of RM1 each for a total cash consideration of RM 31,200.
- (ii) On 3 August 2009, the Company had subscribed for additional 200,000 ordinary shares of RM1 each in Hai-O Energy (M) Sdn Bhd ("Hai-O Energy") for a total cash consideration of RM 200,000. With effect thereof, the issued and paid-up capital of Hai-O Energy had increased to RM 1,400,000 comprising of 1,400,000 ordinary shares of RM 1 each.

A12 Contingent liabilities

The changes in contingent liabilities of the Group and the Company since the last annual balance sheet date are as follows :-

	As at 23 Sept 2009	As at 31 Jul 2009	As at 30 Apr 2009
	RM '000	RM '000	RM '000
Corporate guarantee in respect of banking facilities granted to subsidiary companies	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

A13 Capital commitment

The capital commitment of the Group for the period ended 31 July 2009 are as follows:

	RM '000
Approved and contracted for in respect of capital expenditure	1,230
	<u>1,230</u>



Additional Information Required By The BMSB - Listing Requirements

B1 Review of performance of the Company and its principal subsidiaries for the current quarter and financial year-to-date

For the first quarter ended 31 July 2009, the Group recorded higher revenue of RM 148.57 million as compared to RM 112.91 million of the corresponding quarter of the preceding year, representing an increase of about 32%. The increase in revenue was mainly contributed by its principal subsidiary, the multi-level marketing (“MLM”) division.

The Group also recorded higher profit after taxation of RM 18.52 million as compared to RM 13.58 million of the corresponding quarter of the preceding year, an increase of about 36%.

The MLM division again registered double digit growth in the first quarter with the revenue and profit before taxation increased by over 40% and 49% respectively as compared to last year’s corresponding quarter. The increase was mainly due to buoyant sales of its health and wellness products, driven by factors such as enhanced marketing strategies, strong newly recruited distributors’ force and increased in distributors’ productivity.

The lower revenue recorded by the wholesales and retail divisions as compared to last year was mainly due to the slowdown in domestic consumption in the traditional chinese medicine and herbs as consumers are more cautious in their spending.

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

For the first quarter under review, the Group recorded higher revenue of RM 148.57 million as compared to the immediate preceding quarter of RM 132.84 million, an increase by over 12% which was mainly contributed by the MLM division. In tandem with the higher revenue generated in the first quarter, the Group also registered higher profit after taxation of RM 18.52 million as compared with the immediate preceding quarter of RM 14.73 million. The lower profit in the immediate preceding was mainly resulted from lower revenue achieved coupled with higher operating expenses and written down value of inventories.

B3 Commentary on prospect

The global economic slowdown in the first half year appears to be showing signs of recovery and the recent second stimulus package has created confidence in the market. The Group will remain focus on its core business, continue carrying out its sales campaign and promotion complemented by an intensified members’ recruitment campaign. Furthermore, the Board firmly believes in developing its human capital and the working team has resolved to overcome the difficulties posed by this challenging environment and to continue delivering growth.

In view thereof, the Board of Directors is of the opinion that the Group’s performance is on track with the internal target set.



B4 Statement of Internal targets previously announced or disclosed in public documents

With reference to the news article appeared in The New Straits Times, Biz News page B8 on Wednesday, 17 June 2009 in particular pertaining to the sentence which is reproduced as “ Hai-O Enterprise Bhd, a multi-level marketing (MLM) firm, expects revenue to grow by 10 per cent this year, helped by intensive advertising and promotional activities.”

The quoted statement is strictly an aspiration set to be achieved by the Company after taking into consideration the Company’s recent performance, the growing in distributors’ network and the ongoing sales promotion activities in plan.

The targeted revenue to grow by 10% this financial year was in consideration of the consumers’ behaviour becoming more cautious in their spending due to the current challenging economy.

The quoted statement was an internal target set by the Company to achieve and not in any way intended to refer to any financial estimates, forecasts or projections of the Company and have not been reviewed by the external auditors of the Company.

Based on the first quarter’s financial performance and various strategies that have taken place by the Company, the Board is confident that this internal target is achievable.

B5 Profit Forecast

There is no profit forecast.

B6 Taxation

The provision for income tax is based on the business income earned for the period under review.

For the current quarter and financial year-to-date, 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 purposes 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 2009 (RM ‘000)	Current year to date 31 July 2009 (RM ‘000)
Profit before taxation	26,287	26,287
Taxation at applicable tax rate – 25%	6,572	6,572
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	1,196	1,196
Total Taxation expenses	7,768	7,768



B7 Profits on Sale of Unquoted Investment and / or Properties

There were no profits on sale of unquoted investments and properties for the current quarter and financial year-to-date.

B8 Purchase or Disposal of Quoted Securities

a) The purchase and disposal of quoted securities for the current quarter and current year to date are as follows:-

	Current quarter 31 July 2009 RM '000	Current year to date 31 July 2009 RM '000
Total purchase consideration	66	66
Total sale proceeds	28	28
Gain on disposal	3	3

b) The details of all investments in quoted securities at the end of the reporting period are as follows :-

	RM'000
Total investment at cost	973
Total investment at book value	970
Total investment at market value at the end of reporting period	1,536

B9 Corporate Proposals

There is no corporate proposal for the period under review.

B10 Group Borrowings and Debts Securities

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

Group Borrowings	Currency	Secured/ Unsecured	RM'000
Short Term Borrowings	Malaysia Ringgit	Unsecured	1,767
Short Term Borrowings	Malaysia Ringgit	Secured	2,213
Long Term Borrowings	Malaysia Ringgit	Secured	15,246
Total			19,226

B11 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk for the period ended 31 July 2009.



B12 Changes in Material Litigation

Save as disclosed below, the Group has not engaged in any material litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Group :-

- i) By a Writ of Summon and Statement of Claim dated 13 January 1995 (“Suit 34”), Nguang Chan Liquor Trade and Nguang Chan (M) Sdn Bhd (Collectively known as “the Nguang Chan Group”) instituted an action and sought an injunction against the Company to restrain the publication of the alleged defamatory statements made against the Nguang Chan Group as well as against slander of a product named Zhan Qiao Pai (“ZQP”) Brand Ling Zhi Wine (“alleged Infringing Product”). The High Court had dismissed the Nguang Chan Group’s application for injunction with cost on 19 December 1995.

The directors of the Company are of the opinion that, based on legal advise, the Company has a good case to establish that the Nguang Chan Group’s present claim is without merit. The Company is entitled to protect its products and that its actions against what appear to be clear counterfeits cannot be the subject matter of complaint by the Nguang Chan Group.

By a Writ of Summon and Statement of Claim dated 23 May 1997 (“Suit 400”), the Company and Shandong Medicine & Health Products Import & Export Corp., Changyu Pioneer Wine Co. and Yantai Native Product Import & Export Corp. (“the Chinese Parties”) filed an action against the Nguang Chan Group and Golden Spring Spirits Agency claiming for damages for infringement of their product named ZQP Brand Ling Zhi Wine which been ordered to consolidate with Suit 34 on 5 August 1997.

The Company had made several applications to the Court seeking for further discovery, production and inspection of documents against the Nguang Chan Group. Order in terms of these applications were given by the High Court on 23 April 2001 wherein the Nguang Chan Group had thereafter appealed to the Court of Appeal against this decision.

The Court of Appeal heard the appeal on 14 March 2006 wherein Nguang Chan Group’s appeal was allowed. The Company has appealed against the Court of Appeal’s decision to the Federal Court. Applications for leave to appeal were fixed for hearing on 22 August 2006.

The applications were heard as scheduled. The Federal Court had adjourned both the applications to a date to be fixed with directions to the Court of Appeal to deliver its decisions as the Court of Appeal has not delivered the same to the Federal Court.

The High Court had fixed Suits 34 and 400 for mention on 17 September 2007 and further fixed the matter for trial on 3 October 2007 and 4 October 2007. On 17 September 2007, the initial trial dates were vacated to enable the matters to be transferred to the newly established Intellectual Property Court. The matter was then postponed to 27 March 2008, and on that date, the learned judge of the Intellectual Property Court had fixed the matter for trial on 11 February 2009 and 12 February 2009. The Court later vacated the trial dates and had fixed for trial from 6 to 9 July 2009.

The parties reached an amicable resolution on 6 July 2009 prior to trial, and pursuant to, amongst other things, an undertaking given by the Nguang Chan Group, both suits were withdrawn with no order as to costs and with no admission of liability. The standing of Hai-O being the exclusive distributor for ZQP Brand Ling Zhi wine in Malaysia is thereby confirmed.



Consequent upon the resolution, the Company is taking steps to withdraw its applications for leave to the Federal Court under Application No. 08-53-2005(W) and Application No. 08-54-2005(W) with no order as to costs.

- ii) On 10 October 2008, Hai-O Raya Bhd (“Hai-O Raya”), a 56.63% owned subsidiary was served with a writ of summons together with Statement of Claim by Syarikat Fu Yong Enterprise, Chong Chen Shieh and Chong Fui Ming (“the Plaintiffs”), to claim for declaration that Franchise Agreement between the parties was terminated, the sum of RM 70,844.33 plus interest, damages and other claims deemed just and suitable by the Court.

Hai-O Raya’s solicitor had filed the memorandum of appearance and Statement of Defence on 21 October 2008 and 5 November 2008, respectively, and has further instructed its solicitors to file application to strike out the claims as the Plaintiffs’ claims have no basis.

On 22 July 2009, the Court granted an order in term of Hai-O Raya application to strike out the Plaintiff claim. The court has also ordered the Plaintiff to pay cost the sum of RM 5,000 to Hai-O Raya.

B13 Dividend Payable

No interim dividend has been declared for the period under review (31/7/2008: NIL).

B14 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jul -09	PRECEDING YEAR CORRESPONDING QUARTER 31-Jul -08	CURRENT YEAR TO DATE 31-Jul -09	PRECEDING YEAR CORRESPONDING PERIOD 31-Jul-08
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent	18,463	13,602	18,463	13,602
Weighted average number of shares ('000)	83,273	80,965	83,273	80,965
Weighted average number of shares deemed to have been issued for no consideration upon exercise of ESOS ('000)	-	741	-	741
Weighted average number of shares for diluted EPS ('000)	83,273	81,706	83,273	81,706
Basic earnings per share (sen)	22.17	16.80	22.17	16.80
Diluted earnings per share (sen)	-	16.65	-	16.65

The diluted earning per share is not presented as there were no potential ordinary shares to be issued as at the end of the reporting period.