



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

Unaudited Interim Financial Report
31 July 2014



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2014**

	AS AT END OF CURRENT QUARTER 31/07/2014 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2014 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	64,655	64,773
<i>Investment properties</i>	50,614	41,739
<i>Investment in jointly control entity</i>	2,305	2,267
<i>Investment in an associates</i>	-	-
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	234	209
<i>Available-for-sale investment</i>	186	186
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	626	378
<i>Deferred tax assets</i>	2,955	2,809
	121,660	112,446
Current Assets		
<i>Inventories</i>	65,302	58,549
<i>Trade and other receivables</i>	17,798	19,714
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	58,526	58,173
<i>Cash and Cash Equivalents</i>	49,990	59,910
	191,616	196,346
TOTAL ASSETS	313,276	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>	(13,239)	(11,882)
<i>Other reserve</i>	442	465
<i>Retained earnings</i>	170,626	164,392
	258,924	254,070
Non-controlling interest	11,449	11,480
Total Equity	270,373	265,550
Non-current Liabilities		
<i>Borrowings</i>	1,673	2,414
<i>Deferred tax</i>	145	79
	1,818	2,493
Current Liabilities		
<i>Trade & other payables</i>	30,260	32,806
<i>Short term borrowings</i>	6,149	3,208
<i>Short-term provision</i>	3,486	3,067
<i>Current tax payable</i>	1,190	1,668
	41,085	40,749
Total Liabilities	42,903	43,242
TOTAL EQUITY AND LIABILITIES	313,276	308,792
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.32	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 July 2014
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 JULY 2014

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/7/2014	31/7/2013	31/7/2014	31/7/2013
	RM'000	RM'000	RM'000	RM'000
Revenue	49,784	54,683	49,784	54,683
Cost of sales	(31,254)	(32,626)	(31,254)	(32,626)
Gross Profit	18,530	22,057	18,530	22,057
Other income	2,454	1,934	2,454	1,934
Depreciation	(700)	(707)	(700)	(707)
Administrative expenses	(5,217)	(5,408)	(5,217)	(5,408)
Selling & distribution expenses	(6,804)	(5,752)	(6,804)	(5,752)
Other expenses	(62)	(561)	(62)	(561)
Operating Profit	8,201	11,563	8,201	11,563
Interest income	267	336	267	336
Finance costs	(97)	(124)	(97)	(124)
Share of profit of equity-accounted investee, net of tax	38	20	38	20
Profit before taxation	8,409	11,795	8,409	11,795
Income tax expenses	(2,191)	(3,069)	(2,191)	(3,069)
Profit for the period	6,218	8,726	6,218	8,726
Profit attributable to:				
Owner of the parent	6,223	8,792	6,223	8,792
Non-controlling interest	(5)	(66)	(5)	(66)
	6,218	8,726	6,218	8,726
Earnings Per Share attributable to equity holders of the parent				
- Basic	3.17	4.46	3.17	4.46
- 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 July 2014
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JULY 2014**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/7/2014	31/7/2013	31/7/2014	31/7/2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period	6,218	8,726	6,218	8,726
Other comprehensive income				
- Foreign currency translation differences for foreign operations	(23)	(23)	(23)	(23)
Total comprehensive Income for the period	6,195	8,703	6,195	8,703
Total comprehensive income attributable to:				
Owner of the parent	6,200	8,769	6,200	8,769
Non-controlling Interest	(5)	(66)	(5)	(66)
	6,195	8,703	6,195	8,703

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 JULY 2014**

	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 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
3 month ended 31 July 2013								
Balance as at 30 April 2013	101,095	(9,748)	(71)	657	147,633	239,566	11,090	250,656
Profit for the period	-	-	-	-	8,792	8,792	(66)	8,726
Other comprehensive income for the period	-	-	(23)	-	-	(23)	-	(23)
Total comprehensive income for the period	-	-	(23)	-	8,792	8,769	(66)	8,703
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	(3)	(3)	(2)	(5)
Purchase of Company's own shares	-	(85)	-	-	-	(85)	-	(85)
Balance at end of financial period	101,095	(9,833)	(94)	657	156,422	248,247	11,022	259,269

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 JULY 2014**

	2015 3 month ended 31/7/2014 (RM '000)	2014 3 month ended 31/7/2013 (RM '000)
Profit before tax	8,409	11,795
Adjustment for :-		
Depreciation	751	722
Dividend income	(319)	(241)
Fair value (gain)/loss on other investments	(146)	(100)
Finance costs	97	124
Finance income	(267)	(336)
Gain on disposal of other investment	-	-
Gain on disposal of property, plant and equipment	-	(458)
Loss on disposal of property, plant and equipment	-	-
Property, plant and equipment written off	41	39
Share of profit of equity-accounted investee, net of tax	(38)	(20)
Provision for sales campaign	419	343
Unrealised foreign exchange differences	(4)	554
Operating profit before changes in working capital	8,943	12,422
Changes in working capital		
<i>Inventories</i>	(6,753)	(6,326)
<i>Net Change in trade and other receivables</i>	1,954	2,720
<i>Net Change in trade and other payables</i>	(2,542)	(3,713)
<i>Tax paid</i>	(3,035)	(3,764)
	(10,376)	(11,083)
Net cash flows from operating activities	(1,433)	1,339
Investing Activities		
<i>Accretion of equity interests in subsidiaries</i>	(15)	(2)
<i>Proceeds from disposal of other investment</i>	3,100	-
<i>Purchase of other investment</i>	(3,332)	(1,251)
<i>Purchase of investment properties</i>	(9,040)	-
<i>Purchase of property, plant and equipment</i>	(502)	(711)
<i>Proceeds from disposal of property, plant and equipment</i>	-	612
<i>Dividend received</i>	319	241
<i>Interest received</i>	267	336
Net cash used in investing activities	(9,203)	(775)
Financing Activities		
<i>Purchase of Company's own share</i>	(1,357)	(85)
<i>Interest paid</i>	(97)	(124)
<i>Borrowing</i>	2,200	(3,982)
Net cash used in financing activities	746	(4,191)
Net Changes in Cash & Cash Equivalents	(9,890)	(3,627)
Effect of exchange rate & fluctuations on cash held	(30)	(26)
Cash & Cash Equivalents at beginning of financial period	59,910	64,252
Cash & Cash Equivalents at end of the financial period	49,990	60,599

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 July 2014 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 May 2014	6,067,988	11,882,434
Repurchased during the quarter	535,000	1,356,543
Balance as at 31 July 2014	6,602,988	13,238,977

The repurchase transactions were financed by internally generated funds.

As at 19 September 2014, the treasury shares held were 6,685,288 ordinary shares with total purchase consideration of RM 13,460,439.

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 2014 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	28,407	11,841	7,704	1,832	-	49,784
Inter-segment revenue	-	13,439	-	1,717	(15,156)	-
Total revenue	28,407	25,280	7,704	3,549	(15,156)	49,784
RESULT						
Segment result	4,641	2,113	(16)	1,214	249	8,201
Finance costs						(97)
Interest income						267
Share of profit of equity-accounted investee, net of tax						38
Profit before taxation						8,409
Income tax expenses						(2,191)
Net profit for the period						6,218
<hr/>						
Segment assets	102,789	156,944	27,685	25,858	-	313,276
Segment liabilities	15,677	23,958	1,383	1,885	-	42,903

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 2014.



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:

- (i) The Company acquired additional 6,000 ordinary shares of RM 1.00 each in the share capital of Hai-O Raya Bhd, for a total cash consideration of RM 15,000 during the quarter.
- (ii) The Company disposed of the entire equity interest in its wholly-owned subsidiary, Mengniu (M) Sdn Bhd, to third parties for a total cash consideration of RM 2 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 19 Sept 2014	As at 31 July 2014	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 19 Sept 2014	As at 31 July 2014	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	1,153	1,153	1,153
	<u>1,153</u>	<u>1,153</u>	<u>1,179</u>

A13 Capital commitment

The capital commitment of the Group for the period ended 31 July 2014 is as follows:

	RM'000
Approved and contracted for in respect of capital expenditure.	989



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 2014, the Group recorded lower revenue and pre-tax profit of RM 49.8 million and RM 8.4 million, respectively as compared to RM 54.7 million and RM 11.8 million of the corresponding quarter of the preceding year.

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

Revenue and pre-tax profit were recorded lower by about 15% and 12% respectively in the quarter under review compared to previous year’s corresponding quarter. The decrease was mainly due to lower sales in “big ticket” items which reduced from over 50% to 30% of its total revenue contribution in the quarter under review. Though the selling price of “small ticket” items are comparatively lower, but the larger sales volume has generated higher profit contribution which helps company to cushion the drop in sales of “big ticket” items. However, our expenditure on A&P has risen marginally by RM 0.6 million which resulted in the reduction of pre-tax profit to RM 4.6 million.

(ii) Wholesale division

Revenue was maintained at about RM 12 million, however pre-tax profit had reduced from RM 4.8 million to RM 2.1 million as compared to previous year’s corresponding quarter, mainly due to lower inter-segment sales to MLM division. The weakening of Ringgit Malaysia (RM) against the United States Dollars (USD) had further eroded the profit margin and reduced the profit contribution to the Group.

(iii) Retail division

Revenue was increased marginally to RM 7.7 million as compared to RM 7.4 million of previous year’s corresponding quarter. Higher sales generated from the sales promotion and maintaining in its operating costs have improved its bottom line to breakeven in the quarter under review.

(iv) Other division

Revenue increased by about 12% mainly contributed by higher rental income from investment properties after the revision of rental rate in the first quarter. Pre-tax profit maintained at about RM 1.2 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 of RM 49.8 million as compared to RM 61.5 million of the immediate preceding quarter, representing a decrease of approximately 19% :

(i) MLM division

The MLM division recorded lower revenue by about 25% to RM 28.6 million as compared with the immediate preceding quarter. The higher revenue in preceding quarter was contributed by incentive trip promotion campaign carried out during the quarter. The post sales campaign are usually quiet in the subsequent quarter coupled with the slowdown in activities/programs during the fasting month in July has resulted in the drop of revenue in the current quarter.

(ii) Wholesale division

Both revenue and pre-tax profit decreased by about 8% to RM 11.8 million and RM 2.1 million respectively due to poor market sentiment whereby consumers are more cautious in spending.

(iii) Retail division

The revenue decreased by about 16% as compared to the immediate preceding quarter. Sales in the retail division are traditionally lower in the first quarter of the new financial year after the year-end members' sales promotion held in the fourth quarter of the previous financial year.

B3 Commentary on prospects

The Group expects the rising of inflation from the spill-over effects or adjustments on the prices of goods and services arising from the subsidy rationalization by the government may affect the purchasing power of the domestic consumers. To mitigate the negative impact, the Group is currently taking necessary pre-emptive measures to revive its current business strategies.

The MLM division has launched some new products recently. We continued to initiate various sales & promotion activities in the second quarter to promote sustainability of interest in our products while the incentive trip campaign initiated as motivational incentive for our members to boost higher sales. The wholesale division will continue to source for more distribution right for new branded products to widen its product portfolios. Whereas for the retail division, it is operating in an intense competitive and rising costs environment and thus, the company will intensify its current promotion programs to draw more crowd in addition to extend product portfolios and introduce more housebrand products to strengthen product selection.

With various measures taken by the Group as mentioned above, the Board of Directors is of the opinion that the Group will remain profitable in the next quarter .

B4 Profit Forecast

There is no profit forecast.



B5 Taxation

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

For the current quarter, the effective tax rate of the Group is higher than the statutory tax rate due mainly to certain expenses which are not deductible for tax purpose and losses of certain subsidiary companies which cannot be set off against profits of certain subsidiaries as no Group relief is available for tax purposes.

	Current quarter ended 31 July 2014 (RM '000)	Current year to date 31 July 2014 (RM '000)
Profit before taxation	8,409	8,409
Taxation at applicable tax rate – 25%	2,102	2,102
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	89	89
Total Income Tax Expenses	2,191	2,191

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	3,226
Short Term Borrowings	Ringgit Malaysia	Secured	2,923
Long Term Borrowings	Ringgit Malaysia	Secured	1,673
Total			7,822



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 Dividends

No interim dividend has been declared for the period under review (31/7/2013: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 31.07.2014 RM'000	As at 30.04.2014 RM'000 (Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	170,525	164,775
- Unrealised	4,135	3,934
	174,660	168,709
Total share of retained profits of an associate		
- Realised	-	-
Total share of retained profits of jointly controlled entities:		
- Realised	1,638	1,605
- Unrealised	(98)	(98)
	176,200	170,216
Less: Consolidation adjustments	(5,574)	(5,824)
Total Group retained profits as per consolidated accounts	170,626	164,392



B11 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jul-14	PRECEDING YEAR CORRESPONDING QUARTER 31-Jul-13	CURRENT YEAR TO DATE 31-Jul-14	PRECEDING YEAR CORRESPONDING YEAR 31-Jul-13
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent (RM'000)	6,223	8,792	6,223	8,792
Weighted average number of shares ('000)	196,568	197,345	196,568	197,345
Basic earnings per share (sen)	3.17	4.46	3.17	4.46

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