

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

Unaudited Interim Financial Report 31 October 2011

HAI-O CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2011

		(Audited)
	AS AT	`AS AT ´
	END OF	PRECEDING
	CURRENT	FINANCIAL
	QUARTER	YEAR ENDED
	31/10/2011	30/04/2011
	(RM'000)	(RM'000)
ASSETS		
Non-current assets		
Property, Plant and Equipment	71,038	72,181
Investment properties	33,960	33,250
Other Investments		
Financial assets at fair value through	4 220	4 950
profit or loss Available-for-sale investment	1,329 226	1,256 226
Goodwill arising from consolidation	85	85
Trade receivables - non current	445	615
Deferred tax assets	2,582	2,550
	109,665	110,163
Current Assets	44,400	44.074
Inventories	41,488 23,881	44,274 20,925
Trade and other receivables Other Investments	23,881	20,925
Financial assets at fair value through		
profit or loss	48,181	35,537
Cash and Cash Equivalents	50,131	46,054
,	163,681	146,790
TOTAL ASSETS	273,346	256,953
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EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	101,095	101,095
Treasury Shares	(5,310) 506	(4,291) 507
Other reserve Retained earnings	122,685	507 107,084
Retained earnings	218,976	204,395
	210,010	201,000
Non-controlling interest	9,048	8,290
Total Equity	228,024	212,685
Non-current Liabilities Borrowings	9,421	10,734
Deferred tax	-	145
	9,421	10,879
Current Liabilities Trade & other payables	24,434	22 552
Short term borrowings	4,881	22,552 5,679
Short-term provision	3,522	3,371
Current tax payable	3,064	1,787
	35,901	33,389
Total Liabilities	45,322	44,268
TOTAL EQUITY AND LIABILITIES	273,346	256,953
Net assets per share attributable to ordinary		
equity holders of the parent (RM)	1.10	1.02

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2011 and the accompanying explanatory notes attached to the interim financial statements.



Quarterly report on consolidated results for the financial period ended 31 October 2011 The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 OCTOBER 2011

	INDIVIDU	AL QUARTER	CUMULATIVE QUARTER			
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER CORRESPONDING CORRESP		PRECEDING YEAR CORRESPONDING PERIOD		
	31/10/2011	31/10/2010	31/10/2011	31/10/2010		
	RM'000	RM'000	RM'000	RM'000		
Revenue	56,199	52,622	107,172	107,374		
Operating expenses	(46,321)	(44,422)	(87,428)	(89,953)		
Other operating income	1,334	890	2,504	2,476		
Operating Profit	11,212	9,090	22,248	19,897		
Interest income	238	215	462	400		
Finance costs	(200)	(220)	(396)	(426)		
Profit before taxation	11,250	9,085	22,314	19,871		
Income tax expenses	(2,844)	(2,450)	(5,869)	(5,363)		
Profit for the period	8,406	6,635	16,445	14,508		
Profit attributable to:						
Owner of the parent	7,868	6,132	15,601	13,935		
Non-controlling interest	538 8,406	503 6,635	844 16,445	573 14,508		
Earnings Per Share attributable to equity holders of the parent						
- Basic	3.94	3.07	7.82	6.98		
- 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 2011 and the accompanying explanatory notes attached to the interim financial statements.



Quarterly report on consolidated results for the financial period ended 31 October 2011 The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 OCTOBER 2011

	INDIVIDUAL	QUARTER	CUMULATIVE QUARTER		
	CURRENT YEAR QUARTER QUARTER QUARTER		CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD	
	31/07/2011	31/10/2010	31/07/2011	31/10/2010	
	RM'000	RM'000	RM'000	RM'000	
Profit for the period	8,406	6,635	16,445	14,508	
Other comprehensive income - Fair value adjustment through financial assets		268		268	
 Exchange differences on translating foreign operations 	(1)	24	(1)	24	
Total comprehensive Income for the period	8,405	6,927	16,444	14,800	
Total comprehensive income attributable to:					
Owner of the parent	7,867	6,424	15,600	14,227	
Non-controlling Interest	538	503	844	573	
	8,405	6,927	16,444	14,800	

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2011 and the accompanying explanatory notes attached to the interim financial statements.



CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 OCTOBER 2011

	IDistributable to Equity Holders of the Parent INon distributa IDistributableI					Non- controlling	Total Equity	
	Share Capital	Treasury shares	Exchange fluctuation reserve	Capital reserve	Retained Earnings	Total	interest	-4
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
6 month <u>ended 31 October 2011</u>								
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
6 month <u>ended 31 October 2010 (restated)</u>								
Balance as at 30 April 2010 Prior year adjustment	101,095 -	(4,122)	(127)	657 -	111,587 (5,989)	209,090 (5,989)	7,374	216,464 (5,989)
Balance as at 30 April 2010 (restated)	101,095	(4,122)	(127)	657	105,598	203,101	7,374	210,475
Effect of adopting FRS 139	-	-	-	-	1,068	1,068	-	1,068
Restated balance as at 1 May 2010	101,095	(4,122)	(127)	657	106,666	204,169	7,374	211,543
Profit for the period Other comprehensive income for the period	-	-	24	-	13,935 268	13,935 292	573	14,508 292
Total comprehensive income for the period	-	-	24	-	14,203	14,227	573	14,800
Purchase of Company's own shares	-	-	-	-	-	-	-	-
Balance at end of financial period	101,095	(4,122)	(103)	657	120,869	218,396	7,947	226,343

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2011 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE QUARTER ENDED 31 OCTOBER 2011

	2011 6 month ended 31/Oct/11 (RM '000)	<u>2010</u> 6 month ended 31/Oct/10 (RM '000)
Net Profit before tax Adjustment for non-cash flow :-	22,314	19,871
Non-cash items Non-operating items	5,625 (772)	1,483 (847)
Operating profit before changes in working capital	27,167	20,507
Changes in working capital Net Change in current assets Net Change in current liabilities Tax paid	(4,171) 1,882 (4,791) (7,080)	(1,020) (8,971) (11,052) (21,043)
Net cash flows from operating activities	20,087	(536)
Investing Activities Proceeds from disposal of other investment Purchase of other investment Purchase of property, plant and equipment Proceeds from disposal of property, plant and equipment Dividend received Interest received	11,370 (23,992) (1,072) 137 611 462	5,040 (17,040) (963) 17 678 400
Net cash used in investing activities	(12,484)	(11,868)
Financing Activities Purchase of Company's own share Dividend paid Interest paid Borrowing	(1,019) - (396) (2,111)	- (5,989) (426) (417)
Net cash used in financing activities	(3,526)	(6,832)
Net Changes in Cash & Cash Equivalents	4,077	(19,236)
Cash & Cash Equivalents at begining of financial period	46,054	70,911
Cash & Cash Equivalents at end of the financial period	50,131	51,675

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2011 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 2011.

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 2011.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 April 2011 except for the adoption of the following new and amended FRS and IC Interpretations effective for financial period beginning on or after 1 May 2011:

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 3	Business Combination (revised)
FRS 127	Consolidated and Separate Financial Statements
	(revised)
Amendments to FRS2	Share-based Payments
Amendments to FRS5	Non-current Assets Held for Sale and Discontinued
	Operations
Amendments to FRS138	Intangible Assets
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-cash Assets to Owners
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Effective for financial period beginning on or after 1 January 2011

Limited Exemption from comparative FRS 7
Disclosures for First-time Adopters
Additional Exemptions for First-time Adopters
Improving Disclosures about Financial Instruments
Group Cash-settled Share-based payment Transactions
Determining whether an Arrangement contains a
Lease
Transfers of Assets from Customers

The above FRSs, amendments to FRSs and IC Interpretations have no material impact to the Group's consolidated financial statements of the current quarter or the comparative consolidated financial statements of the prior financial year.



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 were 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 2011 are as follows:

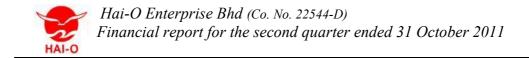
	Number of Treasury shares	Total Considerations RM
Balance as at 1 August 2011	2,881,888	4,874,043
Repurchased during the quarter	239,300	435,523
Balance as at 31 October 2011	3,121,188	5,309,566

The repurchase transactions were financed by internally generated funds.

As at 14 December 2011, the treasury shares held were 3,205,588 ordinary shares with total purchase consideration of RM 5,466,889.

A8 Dividend paid

A final single tier dividend of 5.5 sen, amounting to RM 10,947,639 in respect of the previous financial year as approved by the shareholders at the Annual General Meeting held on 19 October 2011 was paid on 8 December 2011.



A9 Segment information

Details of segmental analysis for the period ended 31 October 2011 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	60,775	23,830	19,398	3,169	-	107,172
Inter-segment revenue	-	23,586	-	3,914	(27,500)	-
Total revenue	60,775	47,416`	19,398	7,083	(27,500)	107,712
RESULT Segment result	9,882	7,250	2,297	2,554	265	22,248
Finance costs Interest income					-	(396) 462
Profit before taxation						22,314
Income tax expenses						(5,869)
Net profit for the period					-	16,445

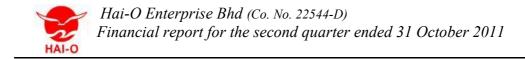
A10 Property, plant and equipment

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 were no material events subsequent to the current financial quarter ended 31 October 2011 up to the date of this report except for the following:

(i) Further to the announcement made on 28 January 2011 and 8 September 2011 in relation to the members' voluntary winding up of the Company's 50% jointly owned company namely, Sanjiu Hai-O TCM (M) Sdn Bhd ("Sanjiu"), has on 8 December 2011 been dissolved pursuant to Section 275 (5) of the Companies Act, 1965.



A12 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) Hai-O Properties Sdn Bhd, a wholly-owned subsidiary of the Company had on 4 October 2011 submitted an application to the Companies Commission of Malaysia to strike off its dormant subsidiary, namely Tyher Tea & Arts Culture Sdn Bhd off the register pursuant to Section 308 of the Companies Act, 1965.
- (ii) The company had acquired additional 15,000 ordinary shares of RM 1.00 each in the share capital of Hai-O Raya Bhd, for a total cash consideration of RM 37,500 during the quarter.

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 14 Dec 2011	As at 31 Oct 2011	As at 30 Apr 2011
Commente in	RM'000	RM'000	RM'000
Corporate guarantee in respect of credit facilities granted to subsidiary companies	Nil	Nil	Nil
Group	As at 14 Dec 2011	As at 31 Oct 2011	As at 30 Apr 2011
Durl	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	1,851	2,151	3,692
-	1,851	2,151	3,692

A14 Capital commitment

The capital commitment of the Group for the period ended 31 October 2011 are as follows:

	RM'000
Approved and contracted for in respect of	
capital expenditure.	6,153



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

Current quarter compared to the preceding year's corresponding quarter

For the second quarter under review, the Group registered higher revenue and pre-tax profit of RM 56 million and RM 11 million as compared to RM 53 million and RM 9 million of the corresponding quarter of the preceding year, respectively. The increase in revenue and pre-tax profit by about 6% and 22% respectively was mainly due to higher contribution from its principal subsidiary, the multi-level marketing ("MLM") division. The hard work and aggressive strategies by the distributors have started to see positive results as reflected in higher pre-tax profit, contributed by higher revenue coupled with higher contribution from its high margin products and new products' sales.

In addition, other division had generated higher rental income from the leasing of investment properties coupled with lower R&D cost in the technology company which contributed to higher Group's profit.

However, the revenue and pre-tax profit for the wholesale division were lower in the current quarter, which were mainly affected by lower sales of its Chinese Medicated Tonic wine. Revenue for the retail division was marginally lower by about 5%, the successful sales campaign on one of its key product had brought in higher revenue in the preceding year's quarter. The Group had written off inventories amounting to approximately RM 4 million after a fire incident happened at the bonded and general warehouse during the quarter. The warehouse operator has given a confirmation letter that the said inventories are fully insured. Therefore the Group has also made an accrual on this claim.

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

For the second quarter ended 31 October 2011, the Group posted higher pre-tax profit of RM 22 million compared to RM 20 million in the preceding year. The increase in profit was mainly due to higher contribution from the wholesale division and lower R&D cost in other division. The pre-tax profit improved by about 10% for the retail division due to its successful members' sales campaign in the second quarter. These had increased the operating margin to 21% as compared to 19% in the preceding year.

The Group believes that with the right strategies and effective sales campaign, the MLM division will be heading on the right track.



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

For the second quarter under review, the pre-tax profit improved marginally as compared with the immediate preceding quarter despite higher revenue achieved by the Group, which was mainly due to lower pre-tax profit from the wholesale division.

Nevertheless, pre-tax profit of the MLM division had improved by about 25% which was mainly contributed by higher revenue and margin achieved in the second quarter. The members' sales promotion carried out by the retail division in the second quarter also contributed higher revenue and pre-tax profit while other division contributed higher rental income to the Group. This positive contribution however was offset by lower pre-tax profit generated from the wholesale division.

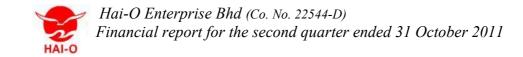
B3 Commentary on prospects

The Group is continuously working on effective marketing strategies for all of its main divisions and implementing efficient internal operating procedures. The Group believes that domestic consumption will remain strong and with the upcoming festive seasons falling in the second half of the financial year, the wholesale and retail divisions will emphasize its A&P program heavily during this period. In addition, the Group will continue to introduce house brands products and launch new retail outlets.

In view thereof, the Board of Directors is of the opinion that the Group will continue to perform profitably 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 deductable 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 October 2011 (RM '000)	Current year to date 31 October 2011 (RM '000)
Profit before taxation	11,250	22,314
Taxation at applicable tax rate -25%	2,813	5,579
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets.	31	290
Total income Tax expenses	2,844	5,869

B6 Profits / losses on Sale of Unquoted Investment and / or Properties

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

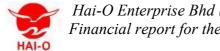
B7 Purchase or Disposal of Quoted Securities

- a) There was no purchase or disposal of quoted securities for the current quarter and current year to date.
- b) The details of all investments in quoted securities at the end of the reporting financial period are as follows :-

	RM'000
Total investment at cost	226
Total investment at book value/carrying amount	1,329
Total investment at market value at the end of	
reporting period	1,329

B8 Corporate Proposals

There were no corporate proposals for the period under review .



B9 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	2,336
Short Term Borrowings	Ringgit Malaysia	Secured	2,545
Long Term Borrowings	Ringgit Malaysia	Secured	9,421
Total			14,302

B10 Off Balance Sheet Financial Instruments

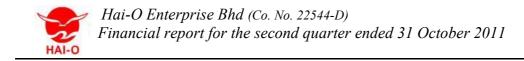
There were no financial instruments with off balance sheet risk for the period ended 31 October 2011.

B11 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.

B12 Dividend payable

The Board of Directors is pleased to declare a first interim single tier dividend of 2 sen per share in respect of the financial year ending 30 April 2012. (31/10/2010: 2 sen single tier).

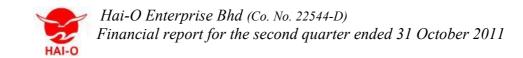


B13 Realised and Unrealised Profits/Losses Disclosure

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 period 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 31.10.2011 RM'000	As at 30.04.2011 RM'000	
Total retained profits of the Company and its subsidiaries:			
- Realised - Unrealised	124,817 3,321	110,112 3,038	
	128,138	113,150	
Total share of retained profits From jointly controlled entities:			
- Realised	1,447	985	
	129,585	114,135	
Less: Consolidation adjustments	(6,900)	(7,052)	
Total Group retained profits as per consolidated accounts	122,685	107,083	



B14 Earnings per share (EPS)

Earnings per share	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Oct –11		CURRENT YEAR TO DATE 31-Oct–11	PRECEDING YEAR CORRESPONDING PERIOD 31-Oct-10
Earnings				
Net profit for the year attributable to equity holders of the parent (`000)	7,868	6,132	15,601	13,935
Weighted average number of shares ('000)	199,495	199,654	199,495	199,654
Basic earnings per share (sen)	3.94	3.07	7.82	6.98

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