

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

Unaudited Interim Financial Report
30 April 2010



CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 APRIL 2010

	AS AT END OF CURRENT QUARTER 30/04/2010 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2009 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	60,876	59,440
<i>Investment properties</i>	27,740	28,414
<i>Prepaid lease payments</i>	1,682	1,716
<i>Investments</i>	450	1,156
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	960	1,215
<i>Deferred tax assets</i>	3,295	2,158
	95,088	94,184
Current Assets		
<i>Inventories</i>	43,960	36,228
<i>Trade and other receivables</i>	19,902	36,590
<i>Short term investment</i>	49,243	30,480
<i>Cash and Cash Equivalents</i>	70,911	50,725
	184,016	154,023
TOTAL ASSETS	279,104	248,207
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	101,095	84,457
<i>Treasury Shares</i>	(4,121)	(3,912)
<i>Other reserve</i>	322	6,146
<i>Retained earnings</i>	111,906	79,042
	209,202	165,733
Minority Interests	7,374	6,306
Total Equity	216,576	172,039
Non-current Liabilities		
<i>Borrowings</i>	13,187	15,733
<i>Deferred tax</i>	44	79
	13,231	15,812
Current Liabilities		
<i>Trade & other payables</i>	32,396	47,081
<i>Short term borrowings</i>	4,792	3,728
<i>Short-term provision</i>	5,070	2,780
<i>Current tax payable</i>	7,039	6,767
	49,297	60,356
Total Liabilities	62,528	76,168
TOTAL EQUITY AND LIABILITIES	279,104	248,207
Net assets per share attributable to ordinary equity holders of the parent (RM)	2.12	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.



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

Quarterly report on consolidated results for the financial year ended 30 April 2010
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 APRIL 2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD (Audited)
	30/04/2010	30/04/2009	30/04/2010	30/04/2009
	RM'000	RM'000	RM'000	RM'000
Revenue	98,838	132,885	511,064	435,216
Operating expenses	(84,855)	(110,702)	(422,118)	(363,660)
Other operating income	1,796	1,193	7,078	4,532
Operating Profit	15,779	23,376	96,024	76,088
Interest income	180	137	746	954
Finance costs	(183)	(208)	(826)	(1,155)
Profit before taxation	15,776	23,305	95,944	75,887
Income tax expenses	(772)	(7,435)	(23,761)	(22,876)
Profit for the year	15,004	15,870	72,183	53,011
Attributable to:				
Equity holders of the parent	14,257	15,810	70,916	52,290
Minority interest	747	60	1,267	721
	15,004	15,870	72,183	53,011
Earnings Per Share attributable to equity holders of the parent				
- Basic	7.14	19.18	35.52	63.42
- Diluted	0.00	19.16	0.00	63.37

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 STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 APRIL 2010**

	Attributable to Equity Holders of the Parent							Minority Interest	Total Equity	
	Share Capital	Non distributable			Distributable					
		Treasury shares	Share premium	Exchange fluctuation reserve	Capital reserve	Share option reserve	Retained Earnings			Total
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
12 month ended 30 April 2010										
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	-	-	-	(408)	-	-	-	(408)	-	(408)
Realisation of Exchange fluctuation reserve on disposal of associates	-	-	-	(625)	-	-	-	(625)	-	(625)
Expenses recognised directly in equity	-	-	-	(1,033)	-	-	-	(1,033)	-	(1,033)
Net profit for the financial period	-	-	-	-	-	-	70,916	70,916	1,267	72,183
Total recognised income and expenses for the year	-	-	-	(1,033)	-	-	70,916	69,883	1,267	71,150
Purchase of Company's own shares	-	(209)	-	-	-	-	-	(209)	-	(209)
Bonus issue	16,638	-	(4,791)	-	-	-	(11,847)	-	-	-
Dividend, less tax	-	-	-	-	-	-	(26,205)	(26,205)	(199)	(26,404)
Balance at end of financial year	101,095	(4,121)	-	(335)	657	-	111,906	209,202	7,374	216,576

12 month ended 30 April 2009

Balance as at 1 May 2008	83,088	(6,291)	1,826	629	657	685	59,978	140,572	5,500	146,072
Ordinary shares issued pursuant to exercise of ESOS	1,369	-	2,327	-	-	-	-	3,696	-	3,696
Purchase of Company's own shares	-	(4,588)	-	-	-	-	-	(4,588)	-	(4,588)
Foreign currency translations	-	-	-	69	-	-	-	69	0	69
Net profit for the financial period	-	-	-	-	-	-	52,290	52,290	721	53,011
Total recognised income and expenses for the period	-	-	-	69	-	-	52,290	52,359	721	53,080
Issuance of Share Dividend	-	6,967	-	-	-	-	(6,967)	-	-	-
Transfer of reserve upon exercise of ESOS	-	-	638	-	-	(638)	-	-	-	-
Transfer of reserve upon expiry of ESOS	-	-	-	-	-	(47)	47	-	-	-
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	(7)	(7)
Acquisition of interest in subsidiaries	-	-	-	-	-	-	-	-	285	285
Dividend paid	-	-	-	-	-	-	(26,306)	(26,306)	(193)	(26,499)
Balance at end of financial year	84,457	(3,912)	4,791	698	657	-	79,042	165,733	6,306	172,039

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 30 APRIL 2010**

	<u>2010</u> 12 month ended 30/Apr/10 (RM '000)	(Audited) <u>2009</u> 12 month ended 30/Apr/09 (RM '000)
Net Profit before tax	95,944	75,887
Adjustment for non-cash flow :-		
Non-cash items	5,507	12,591
Non-operating items	(1,678)	(142)
Operating profit before changes in working capital	99,773	88,336
Changes in working capital		
<i>Net Change in current assets</i>	8,511	(10,960)
<i>Net Change in current liabilities</i>	(14,736)	541
<i>Tax paid</i>	(24,600)	(24,490)
	(30,825)	(34,909)
Net cash flows from operating activities	68,948	53,427
Investing Activities		
<i>Other investment</i>	(20,542)	(42,770)
<i>Quoted investment</i>	698	1,004
Net cash used in investing activities	(19,844)	(41,766)
Financing Activities		
<i>Purchase of Company's own share</i>	(209)	(4,588)
<i>Proceeds from issue of shares capital</i>	-	3,696
<i>Advances from a jointly controlled entity</i>	-	28
<i>Dividend paid</i>	(26,404)	(26,499)
<i>Interest paid</i>	(826)	(1,154)
<i>Borrowing</i>	(1,479)	(5,753)
Net cash used in financing activities	(28,918)	(34,270)
Net Changes in Cash & Cash Equivalents	20,186	(22,609)
Effect of exchange rate changes	-	68
Cash & Cash Equivalents at beginning of financial year	50,725	73,266
Cash & Cash Equivalents at end of the financial year	70,911	50,725

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 year ended 30 April 2010 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 Feb 2010	1,268,344	4,121,496
Repurchased during the quarter	0	0
Share split	1,268,344	0
Balance as at 30 Apr 2010	2,536,688	4,121,496

There were no additional repurchase of shares since 1 February 2010.



A7 Dividend paid

- (i) A first interim dividend of 10% gross, (2009: 10%), less tax, amounting to RM 6,239,178 in respect of the financial year ending 30 April 2010 was paid on 12 March 2010.
- (ii) A second interim dividend of 4 sen gross, (2009: Nil), less tax, amounting to RM 5,989,608 in respect of the financial year ending 30 April 2010 was paid on 20 May 2010.

A8 Segment information

Details of segmental analysis for the year ended 30 April 2010 are as follows:

Business Segment of the Group

	Wholesale	Multi-Level Marketing	Retailing	Manufacturing	Technology	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM'000	RM '000	RM '000	RM '000
REVENUE								
External sales	43,862	418,051	41,788	1,787	-	5,576	-	511,064
Inter-segment sales	184,105	-	78	3,437	-	7,927	(195,547)	-
Total revenue	227,967	418,051	41,866	5,224	-	13,503	(195,547)	511,064
RESULT								
Segment result	11,785	75,289	4,090	712	(1,572)	4,773	947	96,024
Unallocated corporate expenses								-
Operating profit								96,024
Interest expense								(826)
Interest income								746
Profit before taxation								95,944
Taxation								(23,761)
Net profit for the year								72,183

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 30 April 2010 up to the date of this report.

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 30 April 2010, the Company had subscribed for additional 400,000 ordinary shares of RM1 each in Hai-O Energy (M) Sdn Bhd (“Hai-O Energy”) for a total cash consideration of RM 400,000. With effect thereof, the issued and paid-up capital of Hai-O Energy had increased to RM 2,800,000 comprising of 2,800,000 ordinary shares of RM 1 each.

A12 Contingent liabilities

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

<u>Company</u>	As at 15 Jun 2010	As at 30 Apr 2010	As at 30 Apr 2009
	RM ‘000	RM ‘000	RM ‘000
Corporate guarantee in respect of credit facilities granted to subsidiary companies	1,586	1,586	1,786
	<u>1,586</u>	<u>1,586</u>	<u>1,786</u>
<u>Group</u>	As at 15 Jun 2010	As at 30 Apr 2010	As at 30 Apr 2009
	RM ‘000	RM ‘000	RM ‘000
Bank guarantee given to third parties in respect of services rendered to the Company	1,776	1,776	3,259
	<u>1,776</u>	<u>1,776</u>	<u>3,259</u>



A13 Capital commitment

The capital commitment of the Group for the year ended 30 April 2010 are as follows:

	RM '000
1) Approved and contracted for in respect of R&D expenditure.	820
2) Approved but not yet contracted for in respect of capital expenditure on pharmaceutical factory	10,000
	<hr/> <u>10,820</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

Current quarter compared to the preceding year's corresponding quarter

For the fourth quarter ended 30 April 2010, the Group recorded lower revenue and pre-tax profit of RM 98.84 million and RM 15.78 million, dropped by about 26% and 32% respectively as compared to the corresponding quarter of the preceding year. The current quarter performance is below internal target and the MLM division is currently applying more stringent rules on new members' recruitment to be in line with the regulations set by the authorities, coupled with recent rise in interest rate had indirectly affected the growth of new members venturing into MLM business as entrepreneurs.

The retail division had recorded historical high in revenue and profit in the fourth quarter, as the Lunar Chinese New Year coincide with the year end members' sales promotion, coupled with the success of its sales of house brand products had generated higher profit contribution to the Group.

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

For the financial year under review, the Group achieved higher revenue of RM 511.06 million as compared to RM 435.22 million for the corresponding period of the preceding year, an increase of about 17%. The increase in revenue was mainly contributed from the wholesale division and its principal subsidiaries, the MLM and retail divisions in the first half of the financial year coupled with higher rental income received during the financial year.

The Group profit before taxation increased by RM 20.06 million or about 26% from RM 75.89 million to RM 95.94 million for the corresponding period of the preceding year. The substantial increase in profit was mainly due to higher revenue achieved as mentioned above, especially for the retail division, its EBIT had increased from last year of 7.3% to 9.8% mainly contributed by its higher margin house brand products. The technology division is still in the research and development stage and does not have any significant progress as at date.



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

For the fourth quarter under review, the Group recorded lower revenue and profit before taxation of RM 98.84 million and RM 15.78 million, as compared with the immediate preceding quarter of RM 131.28 million and RM 25.24 million, respectively. This was mainly due to lower revenue achieved by the MLM division. Currently the MLM division is applying more stringent rules on new members' recruitment in order to be in line with the regulations set by the authorities, coupled with the recent rise in interest rate had indirectly reduced the number of new members venturing into MLM business as entrepreneurs. The lower revenue achieved by the wholesale division in the fourth quarter was that most of the sales orders were placed before the Chinese festive season.

Despite the above, the retail division had recorded higher revenue and profit in the current quarter as compared with the immediate preceding quarter, profit increased by more than 100%. Higher profit achieved was mainly generated from higher revenue made during the Chinese Lunar New Year coincide with the year end members' sales promotion in the fourth quarter, coupled with the success of its sales of house brand products also brought in additional contribution to the Group.

B3 Commentary on prospect for the next financial year

The next financial year will be another challenging year for the Group in view of the slowing down of sales activities in the MLM division therefore, various measures have been taken to rectify the situation. This division is planning to launch more new health supplements and increase the range of its skincare products, and will organize more training workshop to its existing members. The wholesale and retail divisions will continue to focus on health awareness campaign and further develop its house brand products.

Therefore the Board of Directors is of the opinion that the Group will continue to be profitable in the year to come.

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

- (i) With reference to the first 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.



- (ii) With reference to the second article appeared in The New Straits Times, Biz News page B6 on Thursday, October 29, 2009 in particular pertaining to the sentence which is reproduced as “ Tan said the group is on track to achieve 10 per cent growth in profit and revenue for the current financial year ending April 30, 2010,”

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 the number of distributors in the MLM division and the ongoing sales promotion activities in plan.

The targeted revenue and profit to grow by 10% this financial year 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 current year’s financial performance, the Company had achieved better than the internal target set, with the growth rate of about 17% and 36% increase in revenue and profit after taxation respectively.

B5 Profit Forecast

There is no profit forecast.

B6 Taxation

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

For the current quarter, the effective tax rate of the Group is lower than the statutory tax rate, due mainly to over provision of tax expenses in the previous quarters. As for the financial year-to-date, the effective tax rate of the Group is lower due mainly to certain income is not taxable , overprovision of tax expenses in prior years and additional provision of current year deferred tax assets .

	Current Quarter Ended 30 Apr 2010 (RM ‘000)	Current year to date 30 Apr 2010 (RM ‘000)
Profit before taxation	15,776	95,944
Taxation at applicable tax rate – 25%	3,944	23,986
Adjustment mainly due to certain income is not taxable, overprovision of tax expenses in prior years and additional provision of current year deferred tax assets	(3,172)	(225)
Total Taxation expenses	772	23,761



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 30 Apr 2010 RM '000	Current year to date 30 Apr 2010 RM '000
Total purchase consideration	54	468
Total sale proceeds	718	1,166
Loss on disposal	0	(8)

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

	RM'000
Total investment at cost	226
Total investment at book value	223
Total investment at market value at the end of reporting year	1,164

B9 Corporate Proposals

There were corporate proposals for the period under review :-

- (i) On 22 December 2009, the Company announced the following corporate proposals:
- (a) Proposed Bonus Issue of up to 16,891,469 new ordinary shares of RM 1.00 each held in the Company, to be credited as fully paid-up, on the basis of one bonus shares for every five existing ordinary shares held in the Company on an entitlement date ("Bonus issue");
 - (b) Proposed Share Split involving the subdivision of each share held in the Company into two ordinary shares of RM 0.50 each in the Company ("Subdivided shares");
 - (c) Proposed amendment to the Memorandum and Article of Association of the Company ; and
 - (d) Proposed Private Placement of up to 10% of the then enlarged issued and paid-up capital of the Company.

Further to the announcement made on 23 December 2009, 4 January 2010, 12 January 2010 and 28 January 2010, the above mentioned proposals were subsequently approved by the Company's shareholders at an Extraordinary General Meeting held on 24 February 2010.



The Bonus Issue were carried out concurrently with the Share Split involving the subdivision of every one Hai-O Shares into two ordinary shares of RM 0.50 each and the Bonus shares issued were listed on BMSB in the form of the Subdivided shares on 19 March 2010.

The issued and paid-up share capital of the Company after the Bonus Issue and Share Split on 19 March 2010 is RM 101,095,141 comprising of 202,190,282 ordinary shares of RM 0.50 each, of which 2,536,688 shares are held as treasury shares.

The Company has not implemented the Private Placement for the period under review.

B10 Group Borrowings and Debts Securities

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

Group Borrowings	Currency	Secured/ Unsecured	RM'000
Short Term Borrowings	Malaysia Ringgit	Unsecured	2,355
Short Term Borrowings	Malaysia Ringgit	Secured	2,437
Long Term Borrowings	Malaysia Ringgit	Secured	13,187
Total			17,979

B11 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk for the year ended 30 April 2010.

B12 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.

B13 Dividend Payable

The Board of Directors is pleased to propose a final dividend of 10 sen, less tax and a single tier dividend of 4.5 sen per ordinary share, in respect of the financial year ended 30 April 2010 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting (30/4/2009: 32% per ordinary share, less tax, RM 19,965,360).

The dates of entitlement and payment will be advised later.



B14 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30-Apr -10	PRECEDING YEAR CORRESPONDING QUARTER 30-Apr -09	CURRENT YEAR TO DATE 30-Apr -10	PRECEDING YEAR CORRESPONDING PERIOD 30-Apr-09
<i>Earnings</i>				
Net profit for the year attributable to equity holders of the parent	14,257	15,810	70,916	52,290
Weighted average number of shares ('000)	199,659	82,448	199,659	82,448
Weighted average number of shares deemed to have been issued for no consideration upon exercise of ESOS ('000)	-	73	-	73
Weighted average number of shares for diluted EPS ('000)	199,659	82,521	199,659	82,521
Basic earnings per share (sen)	7.14	19.18	35.52	63.42
Diluted earnings per share (sen)	-	19.16	-	63.37

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 year.