



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

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 31 OCTOBER 2009**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2009	31/10/2008	31/10/2009	31/10/2008
	RM'000	RM'000	RM'000	RM'000
Revenue	132,374	87,292	280,946	200,202
Operating expenses	(105,957)	(73,027)	(229,545)	(168,206)
Other operating income	2,297	1,251	3,635	2,080
Operating Profit	28,714	15,516	55,036	34,076
Interest income	242	300	414	629
Finance costs	(312)	(478)	(518)	(685)
Profit before taxation	28,644	15,338	54,932	34,020
Income tax expenses	(8,194)	(4,186)	(15,962)	(9,288)
Profit for the year	20,450	11,152	38,970	24,732
Attributable to:				
Equity holders of the parent	20,186	10,889	38,650	24,491
Minority interest	264	263	320	241
	20,450	11,152	38,970	24,732
Earnings Per Share attributable to equity holders of the parent				
- Basic	24.23	13.38	46.38	30.10
- Diluted	0.00	13.35	0	30.03

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.



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

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

	AS AT END OF CURRENT QUARTER 31/10/2009 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2009 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	60,559	59,440
<i>Investment properties</i>	27,703	28,414
<i>Prepaid lease payments</i>	1,699	1,716
<i>Investments</i>	1,053	1,156
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	1,620	1,215
<i>Deferred tax assets</i>	2,162	2,158
	94,881	94,184
Current Assets		
<i>Inventories</i>	49,694	36,228
<i>Trade and other receivables</i>	35,272	36,590
<i>Short term investment</i>	40,757	30,480
<i>Cash and Cash Equivalents</i>	74,803	50,725
	200,526	154,023
TOTAL ASSETS	295,407	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>	5,531	6,146
<i>Retained earnings</i>	117,692	79,042
	203,559	165,733
Minority Interests	6,626	6,306
Total Equity	210,185	172,039
Non-current Liabilities		
<i>Borrowings</i>	14,635	15,733
<i>Deferred tax</i>	-	79
	14,635	15,812
Current Liabilities		
<i>Trade & other payables</i>	48,183	47,081
<i>Short term borrowings</i>	4,404	3,728
<i>Short-term provision</i>	4,689	2,780
<i>Current tax payable</i>	13,311	6,767
	70,587	60,356
Total Liabilities	85,222	76,168
TOTAL EQUITY AND LIABILITIES	295,407	248,207
Net assets per share attributable to ordinary equity holders of the parent (RM)	2.45	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)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 OCTOBER 2009**

	2010 6 month ended 31/Oct/09 (RM '000)	2009 6 month ended 31/Oct/08 (RM '000)
Net Profit before tax	54,932	34,020
Adjustment for non-cash flow :-		
Non-cash items	3,592	5,341
Non-operating items	(1,098)	(334)
Operating profit before changes in working capital	57,426	39,027
Changes in working capital		
<i>Net Change in current assets</i>	(12,809)	(8,879)
<i>Net Change in current liabilities</i>	1,051	(3,386)
<i>Tax paid</i>	(9,594)	(7,478)
	(21,352)	(19,743)
Net cash flows from operating activities	36,074	19,284
Investing Activities		
<i>Other investment</i>	(10,876)	(42,448)
<i>Quoted investment</i>	29	242
Net cash used in investing activities	(10,847)	(42,206)
Financing Activities		
<i>Purchase of Company's own share</i>	(209)	(3,118)
<i>Proceeds from issue of shares capital</i>	-	2,935
<i>Interest paid</i>	(518)	(685)
<i>Borrowing</i>	(422)	(1,626)
Net cash used in financing activities	(1,149)	(2,494)
Net Changes in Cash & Cash Equivalents	24,078	(25,416)
Cash & Cash Equivalents at beginning of financial period	50,725	73,266
Cash & Cash Equivalents at end of the financial period	74,803	47,850

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.



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

	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)	
6 month ended 31 October 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	-	-	-	10	-	-	-	10	0	10
Realisation of Exchange fluctuation reserve on disposal of associates	-	-	-	(625)	-	-	-	(625)	-	(625)
Expenses recognised directly in equity	-	-	-	(615)	-	-	-	(615)	-	(615)
Net profit for the financial period							38,650	38,650	320	38,970
Total recognised income and expenses for the period	-	-	-	(615)	-	-	38,650	38,035	320	38,355
Purchase of Company's own shares	-	(209)	-	-	-	-	-	(209)	-	(209)
Balance at end of financial period	84,457	(4,121)	4,791	83	657	-	117,692	203,559	6,626	210,185
6 month ended 31 October 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	-	-	-	-	-	-	24,491	24,491	241	24,732
Total recognised income and expenses for the period	-	-	-	-	-	-	24,491	24,491	241	24,732
Ordinary shares issued pursuant to exercise of ESOS	1,087	-	1,848	-	-	-	-	2,935	-	2,935
Purchase of Company's own shares	-	(3,118)	-	-	-	-	-	(3,118)	-	(3,118)
Reserve realised upon exercise of ESOS	-	-	464	-	-	(464)	-	-	-	-
Issuance of Share Dividend	-	6,967	-	-	-	-	(6,967)	-	-	-
Balance at end of financial period	84,175	(2,442)	4,138	629	657	221	77,502	164,880	5,741	170,621

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.



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 October 2009 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 July 2009	1,268,344	4,121,496
Repurchased during the quarter	0	0
Balance as at 31 October 2009	1,268,344	4,121,496

As at 14 December 2009, there were no additional repurchase of shares since 31 October 2009.



A7 Dividend paid

Final dividend of 32% gross, (2007: 32%), less tax, amounting to RM 19,965,360 in respect of the previous financial year as approved by the shareholders at the Annual General Meeting held on 28 October 2009, was paid on 7 December 2009.

A8 Segment information

Details of segmental analysis for the period ended 31 October 2009 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	19,598	239,227	18,691	772	-	2,658	-	280,946
Inter-segment sales	97,257	-	2	1,625	-	3,572	(102,456)	-
Total revenue	116,855	239,227	18,693	2,397	-	6,230	(102,456)	280,946
RESULT								
Segment result	9,578	43,010	1,572	450	(865)	1,701	(410)	55,036
Unallocated corporate expenses								-
Operating profit								55,036
Interest expense								(518)
Interest income								414
Profit before taxation								54,932
Taxation								(15,962)
Net profit for the period								38,970

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 October 2009 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 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.
- (ii) 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.

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 14 Dec 2009	As at 31 Oct 2009	As at 30 Apr 2009
	RM ‘000	RM ‘000	RM ‘000
Corporate guarantee in respect of banking 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 14 Dec 2009	As at 31 Oct 2009	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	7,386	6,192	3,259
	<u>7,386</u>	<u>6,192</u>	<u>3,259</u>



A13 Capital commitment

The capital commitment of the Group for the period ended 31 October 2009 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
	<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 second quarter ended 31 October 2009, the Group recorded higher revenue of RM 132.37 million as compared to RM 87.29 million of the corresponding period of the preceding quarter respectively, an increase of about 52%.

The Group registered higher profit after taxation of RM 20.45 million as compared to RM 11.15 million for the corresponding quarter of the preceding year, representing an increase of about 84%. The increase in profit after taxation was mainly due to higher contributions from all main divisions. The recovery of the domestic market had increased in consumer spending which had boosted the sales of the Group's health and wellness products in the second quarter. Additional increase in other income earned which included realisation of exchange fluctuation reserve on disposal of foreign associates amounting to RM 624,799 had contributed to the increase in profit.

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

For the first half year ended 31 October 2009, the Group achieved higher revenue of RM 280.95 million as compared to RM 200.20 million for the corresponding period of the preceding year, an increase of about 40%. The increase in revenue was mainly attributed from higher sales generated by its principal subsidiaries, the MLM and retail divisions, and higher rental income generated during the financial period.

The Group profit after taxation increased by about 58% from RM 24.73 million to RM 38.97 million for the corresponding period of the preceding year. The substantial increase in profit was mainly due to higher revenue achieved as mentioned above. Despite lower revenue achieved by the wholesale division, it had registered higher profit by focusing on higher margin product sales.

The MLM division had contributed over 80% of the Group's revenue, due to its effective A&P strategies coupled with attractive overseas incentive trips and strong newly recruited distributors' force. Additional contribution from the retail division due to higher revenue achieved coupled with the success in its house brand products had also contributed to the increase in profit.



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

For the second quarter under review, despite registering a lower revenue of RM 132.37 million as compared to the immediate preceding quarter of RM 148.57 million, the Group had recorded higher profit after taxation of RM 20.19 million as compared with the immediate preceding quarter of RM 18.46 million, driven mainly by focusing on high margin products from the wholesale and retail divisions. The success of the members' sales promotion achieved by the retail division in the second quarter had contributed higher revenue and profit as compared with the immediate preceding quarter. A higher other operating income earned and realisation of exchange fluctuation reserve on disposal of foreign associates in the second quarter as mentioned above had contributed further to the Group's profit.

B3 Commentary on prospect

The stabilization of the economy and improving economy condition in the second half of this year with lower contraction of GDP -1.2% in the third quarter compared to GDP -3.9% in the second quarter of 2009, as quoted in the recent report by Bank Negara had boosted consumer confidence and spending. Going forward, with a wide range of good quality products offered and extra efforts undertaken by the Group to improve its marketing strategies, distributors' productivity enhancement and cost efficiency, coupled with a team of dedicated staff, the Board of Directors is confident of a continuous growth and good profitable performance in the second half of the financial year.

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 second quarter's financial performance, the Company had achieved better than the internal target set, with the growth rate of about 40% and 58% increase in revenue and profit after taxation respectively, as compared to the corresponding quarter of the preceding year.

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 Oct 2009 (RM '000)	Current year to date 31 Oct 2009 (RM '000)
Profit before taxation	28,644	54,932
Taxation at applicable tax rate – 25%	7,161	13,733
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	1,033	2,229
Total Taxation expenses	8,194	15,962

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 Oct 2009 RM '000	Current year to date 31 Oct 2009 RM '000
Total purchase consideration	78	144
Total sale proceeds	145	173
Loss on disposal	(47)	(44)

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	859
Total investment at book value	826
Total investment at market value at the end of reporting period	1,574

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	2,185
Short Term Borrowings	Malaysia Ringgit	Secured	2,219
Long Term Borrowings	Malaysia Ringgit	Secured	14,635
Total			19,039

B11 Off Balance Sheet Financial Instruments

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

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.

Suit 34 and suit 400 (including the counterclaim in suit 400) were discontinued with no orders as to costs on 6 July 2009.



- 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’s application to strike out the Plaintiff’s claim. The court has also ordered the Plaintiff to pay cost the sum of RM 5,000 to Hai-O Raya.

B13 Dividend Payable

The Board of Directors is pleased to declare an interim dividend of 10% gross per ordinary share, less tax, in respect of the financial period ended 31 October 2009.

The dividend payment date and entitlement date will be advised later.

B14 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Oct -09	PRECEDING YEAR CORRESPONDING QUARTER 31-Oct -08	CURRENT YEAR TO DATE 31-Oct -09	PRECEDING YEAR CORRESPONDING PERIOD 31-Oct-08
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent	20,186	10,889	38,650	24,491
Weighted average number of shares ('000)	83,327	81,377	83,327	81,377
Weighted average number of shares deemed to have been issued for no consideration upon exercise of ESOS ('000)	-	175	-	175
Weighted average number of shares for diluted EPS ('000)	83,273	81,552	83,327	81,552
Basic earnings per share (sen)	24.23	13.38	46.38	30.10
Diluted earnings per share (sen)	-	13.35	-	30.03

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.