



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

Unaudited Interim Financial Report
31 January 2013



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2013

	AS AT END OF CURRENT QUARTER 31/01/2013 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2012 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	61,256	62,076
<i>Investment properties</i>	48,559	45,202
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	1,394	1,464
<i>Available-for-sale investment</i>	186	226
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	544	397
<i>Deferred tax assets</i>	3,110	2,927
	115,134	112,377
Current Assets		
<i>Inventories</i>	52,160	37,795
<i>Trade and other receivables</i>	24,331	27,966
<i>Other Investments</i>		
<i>Financial assets at fair value through profit or loss</i>	63,319	57,325
<i>Cash and Cash Equivalents</i>	54,318	54,181
	194,128	177,267
TOTAL ASSETS	309,262	289,644
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	101,095	101,095
<i>Treasury Shares</i>	(9,109)	(5,939)
<i>Other reserve</i>	583	483
<i>Retained earnings</i>	137,735	126,040
	230,304	221,679
Non-controlling interest	10,537	9,727
Total Equity	240,841	231,406
Non-current Liabilities		
<i>Borrowings</i>	7,160	8,097
<i>Deferred tax</i>	-	31
	7,160	8,128
Current Liabilities		
<i>Trade & other payables</i>	43,399	32,488
<i>Short term borrowings</i>	7,163	5,185
<i>Short-term provision</i>	5,919	4,278
<i>Current tax payable</i>	4,780	8,159
	61,261	50,110
Total Liabilities	68,421	58,238
TOTAL EQUITY AND LIABILITIES	309,262	289,644
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.23	1.11

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2012 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 ended 31 January 2013
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 JANUARY 2013

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2013	31/01/2012	31/01/2013	31/01/2012
	RM'000	RM'000	RM'000	RM'000
Revenue	68,854	62,792	195,854	169,964
Cost of sales	(40,566)	(38,899)	(118,362)	(103,561)
Gross Profit	28,288	23,893	77,492	66,403
Other income	1,660	1,646	10,550	4,150
Depreciation	(743)	(679)	(2,185)	(2,039)
Administrative expenses	(4,966)	(4,739)	(14,296)	(13,593)
Selling & distribution expenses	(9,099)	(7,085)	(21,687)	(19,220)
Other expenses	(138)	(68)	(709)	(484)
Operating Profit	15,002	12,968	49,165	35,217
Interest income	260	238	783	699
Finance costs	(166)	(196)	(506)	(592)
Profit before taxation	15,096	13,010	49,442	35,324
Income tax expenses	(4,106)	(3,503)	(11,615)	(9,372)
Profit for the period	10,990	9,507	37,827	25,952
Profit attributable to:				
Owner of the parent	10,971	9,063	37,346	24,664
Non-controlling interest	19	444	481	1,288
	10,990	9,507	37,827	25,952
Earnings Per Share attributable to equity holders of the parent				
- Basic	5.54	4.55	18.85	12.37
- 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 2012 and the accompanying explanatory notes attached to the interim financial statements.



Quarterly report on consolidated results for the financial period ended 31 January 2013
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JANUARY 2013**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2013	31/01/2012	31/01/2013	31/01/2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period	10,990	9,507	37,827	25,952
Other comprehensive income				
- Fair value adjustment through financial assets	-	-	-	-
- Foreign currency translation differences for foreign operations	9	(1)	100	(1)
Total comprehensive Income for the period	10,999	9,506	37,927	25,951
Total comprehensive income attributable to:				
Owner of the parent	10,980	9,062	37,446	24,663
Non-controlling Interest	19	444	481	1,288
	10,999	9,506	37,927	25,951

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2012 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JANUARY 2013**

	Attributable to Equity Holders of the Parent					Non-controlling interest	Total Equity	
	Share Capital	Treasury shares	Non distributable Exchange fluctuation reserve	Capital reserve	Distributable Retained Earnings			Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
9 month ended 31 January 2013								
Balance as at 30 April 2012	101,095	(5,939)	(174)	657	126,040	221,679	9,727	231,406
Profit for the period	-	-	-	-	37,346	37,346	481	37,827
Other comprehensive income for the period	-	-	100	-	-	100	-	100
Total comprehensive income for the period	-	-	100	-	37,346	37,446	481	37,927
Acquisition of interest in a subsidiary by non-controlling interest	-	-	-	-	-	-	525	525
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	(101)	(101)
Dividend	-	-	-	-	(25,651)	(25,651)	(95)	(25,746)
Purchase of Company's own shares	-	(3,170)	-	-	-	(3,170)	-	(3,170)
Balance at end of financial period	101,095	(9,109)	(74)	657	137,735	230,304	10,537	240,841

9 month ended 31 January 2012

Balance as at 30 April 2011	101,095	(4,291)	(150)	657	107,084	204,395	8,290	212,685
Profit for the period	-	-	-	-	24,664	24,664	1,288	25,952
Other comprehensive income for the period	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income for the period	-	-	(1)	-	24,664	24,663	1,288	25,951
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	(156)	(156)
Dividends	-	-	-	-	(14,927)	(14,927)	(96)	(15,023)
Purchase of Company's own shares	-	(1,285)	-	-	-	(1,285)	-	(1,285)
Balance at end of financial period	101,095	(5,576)	(151)	657	116,821	212,846	9,326	222,172

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2012 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 JANUARY 2013**

	2013 9 month ended 31/Jan/13 (RM '000)	2012 9 month ended 31/Jan/12 (RM '000)
Net Profit before tax	49,442	35,324
Adjustment for non-cash flow :-		
Depreciation	2,185	2,039
Dividend income	(1,336)	(1,123)
Fair value (gain)/loss on other investments	(345)	(278)
Finance costs	506	592
Finance income	(783)	(699)
Gain on disposal of shares	(68)	(10)
Gain on disposal of property, plant and equipment	(5,141)	-
Impairment losses	67	39
Loss on disposal of property, plant and equipment	1	2
Property, plant and equipment written off	24	66
Provision for sales campaign	2,700	2,700
Reserve on consol	(64)	(89)
Unrealised foreign exchange differences	119	(1)
Operating profit before changes in working capital	47,307	38,562
Changes in working capital		
<i>Inventories</i>	(14,365)	1,203
<i>Net Change in trade and other receivables</i>	(2,322)	(8,836)
<i>Net Change in trade and other payables</i>	(2,102)	7,428
<i>Tax paid</i>	(9,398)	(9,070)
	(28,187)	(9,275)
Net cash flows from operating activities	19,120	29,287
Investing Activities		
<i>Proceeds from disposal of other investment</i>	2,665	14,980
<i>Purchase of other investment</i>	(8,203)	(27,694)
<i>Purchase of property, plant and equipment</i>	(6,421)	(1,447)
<i>Proceeds from disposal of property, plant and equipment</i>	6,825	141
<i>Dividend received</i>	1,336	1,123
<i>Interest received</i>	783	699
<i>Acquisition of interests from non-controlling interest</i>	(37)	(67)
<i>Acquisition of interests in subsidiaries by non-controlling interest</i>	525	-
Net cash used in investing activities	(2,527)	(12,265)
Financing Activities		
<i>Purchase of Company's own share</i>	(3,170)	(1,285)
<i>Dividend paid</i>	(13,911)	(11,044)
<i>Interest paid</i>	(506)	(592)
<i>Borrowing</i>	1,041	(1,431)
Net cash used in financing activities	(16,546)	(14,352)
Net Changes in Cash & Cash Equivalents	47	2,670
Effect of exchange rate & fluctuations on cash held	90	(49)
Cash & Cash Equivalents at beginning of financial period	54,181	46,054
Cash & Cash Equivalents at end of the financial period	54,318	48,675

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2012 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 statements 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 2012.

This interim financial report is the Group’s first MFRS compliant condensed report and therefore MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied. The date of transition to the MFRS framework is 1 January 2012. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1.

A2 Significant Accounting Policies

The recent annual financial statements of the Group for the year ended 30 April 2012 were prepared in accordance with FRS. The Group’s financial statements for annual period beginning on 1 May 2012 were prepared in accordance with the MFRSs issued by the MASB and International Financial Reporting Standards (IFRSs). The transitioning to MFRS will not have any significant impact on interim financial report of the Group.

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 was 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 January 2013 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 Nov 2012	4,786,288	8,788,304
Repurchased during the quarter	150,700	320,878
Balance as at 31 Jan 2013	4,936,988	9,109,182

The repurchase transactions were financed by internally generated funds.

As at 20 March 2013, the treasury shares held were 5,061,788 ordinary shares with total purchase consideration of RM 9,394,384.

A8 Dividend paid

- (i) An interim single tier dividend of 4 sen per share and a special single tier dividend of 2 sen per share, amounting to RM 7,890,132 and RM 3,945,066 respectively were paid on 28 February 2013.
- (ii) A final single tier dividend of 7 sen, amounting to RM 13,816,173 in respect of the previous financial year as approved by the shareholders at the Annual General Meeting held on 18 October 2012 was paid on 30 November 2012.



A9 Segment information

Details of segmental analysis for the period ended 31 January 2013 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	121,114	39,158	29,530	6,052	-	195,854
Inter-segment revenue	-	63,081	-	7,939	(71,020)	-
Total revenue	121,114	102,239	29,530	13,991	(71,020)	195,854
RESULT						
Segment result	21,653	16,148	2,114	9,633	(383)	49,165
Finance costs						(506)
Interest income						783
Profit before taxation						49,442
Income tax expenses						(11,615)
Net profit for the period						37,827

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 was no material events subsequent to the current financial quarter ended 31 January 2013.

A12 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:

The Company had on 2 November 2012, via its wholly-owned subsidiary, Hai-O Marketing Sdn Bhd incorporated a wholly-owned subsidiary, namely Seagull Biolum Sdn Bhd (“Seagull Biolum”), with an initial paid-up share capital of RM 2 comprising 2 ordinary shares of RM 1.00 each.

On 4 January 2013, Hai-O Marketing Sdn Bhd had subscribed for additional 99,998 ordinary shares of RM 1 each in Seagull Biolum for a total cash consideration of RM 99,998. With effect thereof, the issued and paid-up capital of Seagull Biolum had increased to RM 100,000 comprising of 100,000 ordinary shares of RM 1 each.



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 20 Mar 2013	As at 31 Jan 2013	As at 30 Apr 2012
	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 20 Mar 2013	As at 31 Jan 2013	As at 30 Apr 2012
	RM'000	RM'000	RM'000
Bank guarantee given to third parties in respect of services rendered to the Company	879	879	1,591
	879	879	1,591

A14 Capital commitment

The capital commitment of the Group for the period ended 31 January 2013 is as follows:

	RM'000
Approved and contracted for in respect of capital expenditure.	3,000



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

Current quarter compared to the preceding year's corresponding quarter

For the current quarter under review, the Group recorded higher revenue and pre-tax profit of RM 69 million and RM 15 million as compared to RM 63 million and RM 13 million, respectively of the corresponding quarter of the preceding year. The increase in the Group's trading profit was mainly contributed by the following divisions :

(i) MLM division

Despite an increase in revenue by about 16%, pre-tax profit has only increased marginally by about 5% as compared to the corresponding quarter of the preceding year, mainly due to higher product and operating costs.

(ii) Wholesale division

The trading profit improved by almost double to about RM 6.6 million as compared to the preceding year's corresponding quarter. The increase in pre-tax profit was mainly derived from the increase in inter-segment sales and better sales of patented medicine products.

(iii) Retail division

The pre-tax profit dropped by about 80% in the third quarter as compared to the preceding year's corresponding quarter. The Chinese New Year ("CNY") festive season fell in the fourth quarter of current financial year, as compared to last year, which fell in the third quarter of the last financial year. Therefore, bulk of the sales generated from the festive season will only be recorded in the fourth quarter of this financial year. Moreover, the division has invested heavily in advertising & promotion ("A&P") prior to the CNY festival coupled with higher operating costs and hence, a much reduced net profit.



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

For the nine months period ended 31 January 2013, the Group achieved higher revenue and pre-tax profit of RM 196 million and RM 49 million, as compared to the preceding year's corresponding period of RM 170 million and RM 35 million respectively:

(i) MLM division

This division has achieved higher revenue and pre-tax profit of about RM 121 million and RM 22 million, as compared to RM 95 million and RM 17 million in the preceding year, an increase by about 27% and 29% respectively. This division has contributed about 62% and 44% towards the total revenue and pre-tax profit for the Group.

The increase in revenue was mainly derived from higher sales of foundation garments, series of health food and wellness products. In addition, one of the newly launched products during the period has received good response from the market and has contributed about 5% to the total revenue of the division. The revenue from food and beverage consumable products had increased by more than three fold as compared to previous year. Furthermore, growth in membership by about 27% was also one of the main driver for the increase in turnover and bottom line.

(ii) Wholesale division

The increase in external revenue in the wholesale division by about 6%, mainly attributable to higher sales of Chinese health food, Chinese medicated tonic and patented medicine products as a result of higher stock order from medical halls and the increase in the inter-segment sales of 37% have both contributed to the bulk of the additional pre-tax profit of the division.

(iii) Retail division

Revenue and pre-tax profit decreased by about 9% and 40% respectively. As mentioned above, bulk of the sales generated from the CNY festive season will only be recorded in the fourth quarter of the current financial year. Stiff competition among retailers and cautious consumers spending are the biggest challenges for the division to increase its revenue. Higher A&P costs spent prior to CNY festive season coupled with higher operating costs had further lowered the net profit.

(iv) Other division

Other division is inclusive of manufacturing division, advertising services and property investment division. The pre-tax profit increase by about RM 5 million mainly derived from the gain on disposal of one freehold vacant land which had contributed about RM 4.8 million to the Group's profit. Other incremental in profit was generated from the manufacturing division and advertising services coupled with one-off compensation amounting to RM 570,000, as a result of the early termination of a sales contract by one of its customers in the manufacturing division.



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

For the third quarter under review, the Group recorded higher revenue and pre-tax profit of RM 69 million and RM 15 million as compared to RM 66 million and RM 20 million respectively of the immediate preceding quarter, mainly attributable to the following divisions:

Wholesale division -- Revenue and pre-tax profit increase by about 31% and 16%, respectively. The better performance in this division was mainly contributed by higher sales in the Chinese medicated tonic and increase in the inter-segment sales.

Retail division -- Despite that sales was maintainable in Q3 as compared to Q2, pre-tax profit was downed by about RM 1.1 million, mainly due to extensive A&P incurred pre CNY festive season and higher operating costs.

Other division -- The pre-tax profit decrease by about RM 5.8 million as compared with that of the immediate preceding quarter, which was mainly due to higher operating cost in the manufacturing and advertising divisions. The immediate preceding quarter had recorded higher profit which was mainly generated from the gain on disposal of one freehold vacant land amounting to RM 4.8 million and higher dividend received.

B3 Commentary on prospects

The Group is optimistic that it will work towards its internal targeted results amidst stiff competition. The MLM division will continue to provide training and development to its distributors and growth in membership base are some of the strategies to capture a bigger market share. Moreover, with an effective sales campaign in place and more new products in the pipeline, going forward the MLM division will be able to sustain its growth momentum. Whereas the wholesale and retail divisions will continue to implement effective A&P programme, by introducing more health awareness programme to the public.

With the various measures being implemented by the Group, the Board of Directors is of the opinion that the prospect of 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.

For the current year to date, the effective tax rate of the Group is lower than the statutory tax rate due mainly to certain income which are not subject to tax and the utilisation of capital allowance.

	Current Quarter Ended 31 January 2013 (RM '000)	Current year to date 31 January 2013 (RM '000)
Profit before taxation	15,096	49,442
Taxation at applicable tax rate – 25%	3,774	12,361
Adjustment as mentioned above	332	(746)
Total income Tax expenses	4,106	11,615

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 are:

Group Borrowings	Currency	Secured/ Unsecured	RM'000
Short Term Borrowings	Ringgit Malaysia	Unsecured	4,381
Short Term Borrowings	Ringgit Malaysia	Secured	2,782
Long Term Borrowings	Ringgit Malaysia	Secured	7,160
Total			14,323

B8 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.



B9 Dividend payable

No interim dividend has been declared for the period under review (31/1/2012: 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 31.01.2013 RM'000	As at 30.04.2012 RM'000 (Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	141,221	128,893
- Unrealised	2,662	2,716
	143,883	131,609
Total share of retained profits From jointly controlled entities:		
- Realised	1,586	1,401
	145,469	133,010
Less: Consolidation adjustments	(7,734)	(6,970)
Total Group retained profits as per consolidated accounts	137,735	126,040



B11 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jan -13	PRECEDING YEAR CORRESPONDING QUARTER 31-Jan -12	CURRENT YEAR TO DATE 31-Jan-13	PRECEDING YEAR CORRESPONDING YEAR 31-Jan-12
<i>Earnings</i>				
Net profit for the year attributable to equity holders of the parent ('000)	10,971	9,063	37,346	24,664
Weighted average number of shares ('000)	198,105	199,318	198,105	199,318
Basic earnings per share (sen)	5.54	4.55	18.85	12.37

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