

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

Quarterly report on consolidated results for the financial period ended 31 July 2007
The figures have not been audited.

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 31 JULY 2007**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2007	31/07/2006	31/07/2007	31/07/2006
	RM'000	RM'000	RM'000	RM'000
Revenue	59,276	39,360	59,276	39,360
Operating expenses	(50,296)	(34,033)	(50,296)	(34,033)
Other operating income	830	457	830	457
Operating Profit	9,810	5,784	9,810	5,784
Interest income	134	66	134	66
Finance costs	(101)	(86)	(101)	(86)
Profit before taxation	9,843	5,764	9,843	5,764
Income tax expenses	(2,855)	(1,798)	(2,855)	(1,798)
Profit for the period	6,988	3,966	6,988	3,966
Attributable to:				
Equity holders of the parent	7,063	3,538	7,063	3,538
Minority interest	(75)	428	(75)	428
	6,988	3,966	6,988	3,966
Earnings Per Share attributable to equity holders of the parent				
- Basic	10.53	5.41	10.53	5.41
- Diluted	10.51	5.39	10.51	5.39

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2007 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 JULY 2007**

	AS AT END OF CURRENT QUARTER 31/07/2007 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2007 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	21,803	22,005
<i>Investment properties</i>	21,565	21,580
<i>Prepaid lease payments</i>	1,776	1,785
<i>Investments</i>	4,713	5,534
<i>Goodwill arising from consol</i>	274	274
<i>Trade receivables - non current</i>	1,437	1,497
<i>Deferred tax assets</i>	983	1,080
	52,551	53,755
Current Assets		
<i>Inventories</i>	40,521	33,927
<i>Trade and other receivables</i>	13,446	14,988
<i>Short term investment</i>	24,622	18,622
<i>Cash and Cash Equivalents</i>	27,986	27,672
	106,575	95,209
TOTAL ASSETS	159,126	148,964
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	69,032	68,814
<i>Treasury Shares</i>	(2,680)	(2,243)
<i>Other reserve</i>	1,982	1,900
<i>Retained earnings</i>	44,258	37,195
	112,592	105,666
Minority Interests	5,139	5,214
Total Equity	117,731	110,880
Non-current Liabilities		
<i>Borrowings</i>	-	-
<i>Deferred tax</i>	175	58
	175	58
Current Liabilities		
<i>Trade & other payables</i>	20,908	21,603
<i>Short term borrowings</i>	7,642	7,396
<i>Current tax payable</i>	3,954	3,206
<i>Short-term provision</i>	8,716	5,821
	41,220	38,026
Total Liabilities	41,395	38,084
TOTAL EQUITY AND LIABILITIES	159,126	148,964
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.68	1.57

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 April 2007 and the accompanying explanatory notes attached to the interim financial statements.



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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 JULY 2007**

	2008 3 month ended 31/07/07 (RM '000)	2007 3 month ended 31/07/06 (RM '000)
Net Profit before tax	9,843	5,764
Adjustment for non-cash flow :-		
Non-cash items	4,169	2,437
Non-operating items	(378)	(97)
Operating profit before changes in working capital	<u>13,634</u>	<u>8,104</u>
Changes in working capital		
<i>Net Change in current assets</i>	(5,769)	347
<i>Net Change in current liabilities</i>	(746)	(1,218)
<i>Tax paid</i>	(1,859)	(1,181)
	(8,374)	(2,052)
Net cash flows from operating activities	5,260	6,052
Investing Activities		
<i>Other investment</i>	1,423	(2,439)
<i>Quoted investment</i>	(6,378)	(510)
Net cash used in investing activities	(4,955)	(2,949)
Financing Activities		
<i>Purchase of Company's own share</i>	(437)	(349)
<i>Proceeds from issue of shares</i>	301	414
<i>Interest paid</i>	(101)	(86)
<i>Bill payable</i>	246	368
Net cash used in financing activities	9	347
Net Changes in Cash & Cash Equivalents	314	3,450
Cash & Cash Equivalents at beginning of financial period	27,672	13,640
Cash & Cash Equivalents at end of the financial period	<u>27,986</u>	<u>17,090</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2007 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JULY 2007**

	Attributable to Equity Holders of the Parent							Total	Minority Interest	Total Equity
	Share Capital	Treasury shares	Share premium	Reserve on consol	Exchange fluctuation reserve	Capital reserve	Retained Earnings			
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
3 month ended 31 July 2007										
Balance as at 1 May 2007 as previously stated	68,814	(2,243)	600	-	629	670	37,195	105,665	5,215	110,880
Net profit for the financial year	-	-	-	-	-	-	7,063	7,063	(76)	6,987
Total recognised income and expenses for the year	-	-	-	-	-	-	7,063	7,063	(76)	6,987
Exercise of ESOS	218	-	83	-	-	-	-	301	-	301
Purchase of Company's own shares	-	(437)	-	-	-	-	-	(437)	-	(437)
Balance at end of financial period	69,032	(2,680)	683	-	629	670	44,258	112,592	5,139	117,731
3 month ended 31 July 2006										
Balance as at 1 May 2006	66,329	(1,165)	-	489	629	670	22,443	89,395	4,618	94,013
Changes in accounting policies: -- effects of adopting FRS 3	-	-	-	(489)	-	-	489	-	-	-
Restated balance at 1 May 2006	66,329	(1,165)	-	-	629	670	22,932	89,395	4,618	94,013
Net profit for the financial year	-	-	-	-	-	-	3,538	3,538	428	3,966
Total recognised income and expenses for the year	-	-	-	-	-	-	3,538	3,538	428	3,966
Exercise of ESOS	414	-	8	-	-	-	-	422	-	422
Purchase of Company's own shares	-	(349)	-	-	-	-	-	(349)	-	(349)
Balance at end of financial period	66,743	(1,514)	8	-	629	670	26,470	93,006	5,046	98,052

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2007 and the accompanying explanatory notes attached to the interim financial statements.



4A. 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 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 2007.

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 2007.

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, repurchase, resale and repayment 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 July 2007 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 May 2007	1,710,186	2,242,993
Repurchased during the quarter	190,800	436,715
Balance as at 31 July 2007	1,900,986	2,679,708

The repurchase transactions were financed by internally generated funds.

As at 19 September 2007, the treasury shares held was 2,187,386 ordinary shares with total purchase considerations of RM 3,510,021.

- b) Issuance of 26,000 and 192,000 new ordinary shares of RM 1.00 each pursuant to the Company's Employees' Share Option Scheme (ESOS) at exercise price of RM 1.00 and RM 1.43 per share, respectively for the quarter under review. The total proceeds arising from the exercise of options under the ESOS amounted to RM 300,560.

A7 Dividend paid

No dividend has been paid for the quarter under review.



A8 Segment information

Details of segmental analysis for the period ended 31 July 2007 are as follows:

Business Segment of the Group

	Wholesale	Multi-Level	Retailing	Manufacturing	Others	Elimination	Consolidated
	RM '000	Marketing	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE							
External sales	10,545	40,046	7,864	372	448	0	59,275
Inter-segment sales	14,946	0	28	810	1,296	(17,080)	0
Total revenue	25,491	40,046	7,892	1,182	1,744	(17,080)	59,275
RESULT							
Segment result	3,236	5,685	160	165	701	(137)	9,810
Unallocated corporate expenses							-
Operating profit							9,810
Interest expense							(101)
Interest income							134
Profit before taxation							9,843
Taxation							(2,855)
Net profit for the period							6,988

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 July 2007 up to the date of this report except for the following:

- 1) On 9 August 2007, the Company had acquired an additional 1,000 Ordinary Shares of RM 1.00 each in Hai-O Raya Bhd (“Raya”) for a total consideration of RM 1,400.00, thereby increasing its share equity in Raya from 56.60% to 56.63%.
- 2) On 29 August 2007, the Company had disposed of its entire 100% equity interest in Teik Seang Wine Merchants Sdn Bhd comprising of 600,000 ordinary shares of RM 1.00 each for a total consideration of RM 783,780.00.
- 3) On 11 September 2007, the Company had announced its intention to acquire the entire issued and paid-up share capital of Hai-O (Hong Kong) Investment Limited (“Hai-O (HK)”) for a cash consideration of HK\$20,000.00 or equivalent to approximately RM10,000/- only (“the proposed acquisition”).

Further to the announcement on 11 September 2007 in respect of the proposed acquisition, the Company had on 25 September 2007 completed the acquisition. With effect thereof, Hai-O (HK) is a wholly-owned subsidiary of the Company.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period.

A12 Contingent liabilities

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

	RM'000 As at 19 Sept 2007	RM '000 As at 31 July 2007	RM'000 As at 30 Apr 2007
Corporate guarantee in respect of banking facilities granted to subsidiaries companies	350	1,025	627
	<u>350</u>	<u>1,025</u>	<u>627</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

For first quarter ended 31st July 2007, the Group recorded higher revenue and profit before taxation of RM 59.28 million and RM 9.84 million respectively, compared to RM 39.36 million and RM 5.76 million of the corresponding period of the preceding year, representing an increase of about 51% and 71% respectively.

This impressive financial performance was mainly contributed by one of its principal subsidiary, the multilevel marketing (“MLM”) division. The dedicated network of distributors and continuous recruiting of new members have enabled this MLM division to capture a larger market share in the MLM industry.

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

For the first quarter under review, despite higher revenue being achieved, the Group registered lower profit before taxation of RM 9.84 million compared to RM 10.19 million of the immediate preceding quarter. The lower profit was mainly due to additional non-operating revenue being accounted for in the preceding quarter which relates to the waiver of rental costs in respect of the leasing of a shopping complex amounting to RM 1.5 million.

B3 Commentary on Prospect

Prospect for the world economy is expected to be moderate as the US subprime mortgage loan crisis and recent escalating oil price had affected the market confidence globally. However, prospect of Malaysia’s economy remain resilient, with the recent 2008 Budget proposal reducing consumers’ financial burden and the increase in salary of government servants, all these indicates that retail sales is estimated to increase by 8% next year. In view of all these positive factors, the consumer spending and domestic consumption power are to remain strong.

Therefore, the Board of Directors is confident that the Group’s performance will remain profitable.



B4 Statement of Internal Targets previously announced or disclosed in a public document

With reference to the article appearing in The Star, STARBIZ, Page B8, Saturday, 13 January 2007, in particular pertaining to the sentence which is reproduced as follows :-

"Hai-O Enterprise Bhd expects revenue to touch RM200 mil in two years"

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.

Based on the current quarter's strong performance , together with the various programs being implemented such as continuing introduction of more new products by the retail and MLM divisions, intensified new MLM member recruitment campaign and aggressive advertising and promotional activities, the Board is confident that this internal target is achievable.

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 slightly 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 July 2007 (RM '000)	Current year to date 31 July 2007 (RM '000)
Profit before taxation	9,843	9,843
Taxation at applicable tax rate – 26%	2,559	2,559
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	296	296
Total Taxation expenses	2,855	2,855



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 July 2007 RM '000	Current year to date 31 July 2007 RM '000
Total purchase consideration	2,193	2,193
Total sale proceeds	1,781	1,781
Gain on disposal	267	267

- 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	4,489
Total investment at book value	4,487
Total investment at market value at the end of reporting period	5,985

B9 Corporate Proposals

There is no corporate proposal for the period under review except for the following:

- 1) **Proposed Bonus issue of up to 13,461,403 new ordinary shares of RM 1.00 each in Hai-O Enterprise Berhad (“Hai-O”) (“Bonus Shares”), credited as fully paid-up, on the basis of 1 Bonus Share for every 5 existing ordinary shares of RM 1.00 each in Hai-O held by the shareholders of Hai-O (“ Bonus Issue”)**

Further to the announcement made on 22 June 2007, 9 August 2007, 16 August 2007 and 28 August 2007 in respect of the Bonus Issue, 13,412,342 Bonus Shares have been issued and allotted to the shareholders of Hai-O whose names appeared in the Record of Depositors as at 14 September 2007. The Bonus Shares were listed and quoted on the Second Board of BMSB on 17 September 2007.



2) Proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of Hai-O from the Second Board to the Main Board of Bursa Securities

RHB Investment Bank Bhd (formerly known as RHB Sakura Merchant Bankers Bhd), on behalf of the Company, had made the following announcements:-

On 22 June 2007, the Company proposed to transfer the listing of and quotation for the entire issued and paid-up share capital of Hai-O from the Second Board to the Main Board of Bursa Securities.

On 19 July 2007, the Securities Commission (“SC”) had, *vide* its letter dated 17 July 2007, approved the Transfer Listing subject to the conditions as set out in the Policies and Guidelines on Issue/Offer of Securities issued by the SC (“SC Guidelines”) and the Listing Requirements of Bursa Securities on the Proposed Transfer Listing.

Subsequently, on 6 September 2007, the Bursa Securities had, *vide* its letter dated 30 August 2007 granted its approval-in-principle for the Transfer Listing.

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	7,642
Total			7,642

B11 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk for the period ended 31 July 2007.

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 :-

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 publication of 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 (“Infringing Product”). The High Court has dismissed the Nguang Chan Group’s application for injunction with cost on 19 December 1995.



The directors of the Company are of the opinion that, based on legal advice, the Company has a good case to establish that the Nguang Chan Group's present claim is without merit. The Company is entitled to protect its products and that its actions against what appear to be clear counterfeits cannot be the subject matter of complaint by the Nguang Chan Group.

By a Writ of Summons 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 which had been ordered to consolidate with Suit 34 on 5 August 1997.

The Company has made several applications 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 are fixed for hearing on 22 August 2006.

The applications were heard as scheduled. The Federal Court has 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 has fixed Suits 34 for mention on 17 September 2007 and fixed for trial on 3 October 2007 and 4 October 2007. On 17 September 2007, the trial which has been fixed on 3 October 2007 and 4 October 2007 has been vacated to enable the matters to be transferred to the newly established Intellectual Property Court.

The Board of Directors of the Company is of the opinion that the Company and the Chinese Parties have a good case in claiming common law proprietary rights if the Company and the Chinese Parties can successfully show that the Chinese Parties are instrumental in the manufacture, production and export to the Company of the Infringing Product.

B13 Dividend

No interim dividend has been declared for the period under review (31/7/2006:NIL).



Hai-O Enterprise Bhd (Co. No. 22544-D)
Financial report for the first quarter ended 31 July 2007

B14 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jul-07	PRECEDING YEAR CORRESPONDING QUARTER 31-Jul-06	CURRENT YEAR TO DATE 31-Jul-07	PRECEDING YEAR CORRESPONDING PERIOD 31-Jul-06
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent	7,063	3,538	7,063	3,538
Weighted average number of shares ('000)	67,103	65,399	67,103	65,399
Weighted average number of shares deemed to have been issued for No consideration upon exercise Of ESOS ('000)	132	280	132	280
Weighted average number of shares for diluted EPS ('000)	<u>67,235</u>	<u>65,679</u>	<u>67,235</u>	<u>65,679</u>
Basic earnings per share (sen)	<u>10.53</u>	<u>5.41</u>	<u>10.53</u>	<u>5.41</u>
Diluted earnings per share (sen)	<u>10.51</u>	<u>5.39</u>	<u>10.51</u>	<u>5.39</u>