



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

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2007	31/10/2006	31/10/2007	31/10/2006
	RM'000	RM'000	RM'000	RM'000
Revenue	80,517	41,867	139,793	81,227
Operating expenses	(68,828)	(35,388)	(119,124)	(69,421)
Other operating income	1,194	713	2,025	1,170
Operating Profit	12,883	7,192	22,694	12,976
Interest income	198	63	331	129
Finance costs	(96)	(102)	(197)	(188)
Profit before taxation	12,985	7,153	22,828	12,917
Income tax expenses	(3,610)	(2,014)	(6,465)	(3,812)
Profit for the period	9,375	5,139	16,363	9,105
Attributable to:				
Equity holders of the parent	9,096	4,938	16,159	8,476
Minority interest	279	201	204	629
	9,375	5,139	16,363	9,105
Earnings Per Share attributable to equity holders of the parent				
- Basic	13.55	7.55	24.08	12.96
- Diluted	13.53	7.52	24.03	12.91

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 OCTOBER 2007**

	AS AT END OF CURRENT QUARTER 31/10/2007 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2007 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	21,482	22,005
<i>Investment properties</i>	21,365	21,580
<i>Prepaid lease payments</i>	1,768	1,785
<i>Investments</i>	4,546	5,534
<i>Goodwill arising from consolidation</i>	274	274
<i>Trade receivables - non current</i>	1,504	1,497
<i>Deferred tax assets</i>	983	1,080
	51,922	53,755
Current Assets		
<i>Inventories</i>	42,091	33,927
<i>Trade and other receivables</i>	15,102	14,988
<i>Short term investment</i>	23,925	18,622
<i>Cash and Cash Equivalents</i>	44,973	27,672
	126,091	95,209
TOTAL ASSETS	178,013	148,964
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	82,590	68,814
<i>Treasury Shares</i>	(3,994)	(2,243)
<i>Other reserve</i>	2,031	1,900
<i>Retained earnings</i>	39,941	37,195
	120,568	105,666
Minority Interests	5,418	5,214
Total Equity	125,986	110,880
Non-current Liabilities		
<i>Borrowings</i>	-	-
<i>Deferred tax</i>	96	58
	96	58
Current Liabilities		
<i>Trade & other payables</i>	27,747	21,603
<i>Short term borrowings</i>	8,996	7,396
<i>Current tax payable</i>	6,183	3,206
<i>Short-term provision</i>	9,005	5,821
	51,931	38,026
Total Liabilities	52,027	38,084
TOTAL EQUITY AND LIABILITIES	178,013	148,964
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.50	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 OCTOBER 2007**

	2008 6 month ended 31/Oct/07 (RM '000)	2007 6 month ended 31/Oct/06 (RM '000)
Net Profit before tax	22,816	12,917
Adjustment for non-cash flow :-		
Non-cash items	5,171	3,711
Non-operating items	(1,150)	(182)
Operating profit before changes in working capital	<u>26,837</u>	<u>16,446</u>
Changes in working capital		
<i>Net Change in current assets</i>	(8,721)	(1,369)
<i>Net Change in current liabilities</i>	6,094	249
<i>Tax paid</i>	(3,309)	(2,267)
	(5,936)	(3,387)
Net cash flows from operating activities	20,901	13,059
Investing Activities		
<i>Other investment</i>	1,261	(3,917)
<i>Quoted investment</i>	(4,754)	(897)
Net cash used in investing activities	(3,493)	(4,814)
Financing Activities		
<i>Purchase of Company's own share</i>	(1,751)	(563)
<i>Proceeds from issue of shares</i>	145	614
<i>Interest paid</i>	(101)	(186)
<i>Bill payable</i>	1,600	1,813
Net cash used in financing activities	(107)	1,678
Net Changes in Cash & Cash Equivalents	17,301	9,923
Cash & Cash Equivalents at beginning of financial period	27,672	13,640
Cash & Cash Equivalents at end of the financial period	44,973	23,563

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 OCTOBER 2007**

	Attributable to Equity Holders of the Parent							Total	Minority Interest	Total Equity
	Non distributable			Distributable						
	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)	
6 month ended 31 October 2007										
Balance as at 1 May 2007 as previously stated	68,814	(2,243)	600	-	629	670	37,195	105,665	5,214	110,879
Net profit for the financial year	-	-	-	-	-	-	16,159	16,159	204	16,363
Total recognised income and expenses for the year	-	-	-	-	-	-	-	-	-	-
Capitalisation of Bonus issues	13,413	-	-	-	-	-	(13,413)	-	-	-
Realisation of capital reserve on disposal of a subsidiary company	-	-	-	-	-	(13)	-	(13)	-	(13)
Exercise of ESOS	363	-	145	-	-	-	-	508	-	508
Purchase of Company's own shares	-	(1,751)	-	-	-	-	-	(1,751)	-	(1,751)
Balance at end of financial period	82,590	(3,994)	745	-	629	657	39,941	120,568	5,418	125,986

6 month ended 31 October 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	-	-	-	-	-	-	8,476	8,476	629	9,105
Total recognised income and expenses for the year	-	-	-	-	-	-	8,476	8,476	629	9,105
Exercise of ESOS	606	-	8	-	-	-	-	614	-	614
Purchase of Company's own shares	-	(563)	-	-	-	-	-	(563)	-	(563)
Balance at end of financial period	66,935	(1,728)	8	-	629	670	31,408	97,922	5,247	103,169

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) On 17 September 2007, the Company had allotted an additional of 13,412,342 new ordinary shares of RM 1.00 each pursuant to the bonus issue of one (1) new ordinary share for every five (5) existing ordinary shares held.



- b) The details of shares held as treasury shares for the period ended 31 October 2007 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 Aug 2007	1,900,986	2,679,708
Repurchased during the quarter	455,000	1,314,024
Balance as at 31 Oct 2007	2,355,986	3,993,732

The repurchase transactions were financed by internally generated funds.

As at 11 December 2007, the treasury shares held was 2,505,186 ordinary shares with total purchase considerations of RM 4,466,456.

- b) Issuance of 145,000 new ordinary shares of RM 1.00 each pursuant to the Company's Employees' Share Option Scheme (ESOS) at exercise price of RM 1.43 per share for the quarter under review. The total proceeds arising from the exercise of options under the ESOS amounted to RM 207,350.

A7 Dividend paid

A final dividend of 13% gross per ordinary share (2005: 8%), less tax amounting to RM 7,604,759 was paid on 12 December 2007.



A8 Segment information

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

Business Segment of the Group

	Wholesale	Multi-Level	Retailing	Manufacturing	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE							
External sales	20,695	99,584	17,863	560	1,091	0	139,793
Inter-segment sales	36,415	0	58	1,329	2,955	(40,757)	0
Total revenue	57,110	99,584	17,921	1,889	4,046	(40,757)	139,793
RESULT							
Segment result	5,308	14,776	1,234	220	1,037	119	22,694
Unallocated corporate expenses							-
Operating profit							22,694
Interest expense							(197)
Interest income							331
Profit before taxation							22,828
Taxation							(6,465)
Net profit for the period							16,363

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

- 1) On 17 December 2007, the Company subscribed for additional 999,998 new ordinary shares of RM 1.00 each in Hai-O Energy (M) Sdn Bhd (formerly known as Ten Plus Three Trade Centre Sdn Bhd) (“Hai-O Energy”), a wholly owned subsidiary company, for a total cash consideration of RM 999,998.00. With effect thereof, the issued and paid-up share capital of Hai-O Energy has increased to RM 1,000,000.00 comprising of 1,000,000 ordinary shares of RM 1.00 each.

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:

- 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) A wholly-owned subsidiary, Mengniu Marketing (M) Sdn Bhd (“Mengniu”) was incorporated on 25 September 2007, with an issued and paid-up capital of RM 2.00 comprising 2 ordinary shares of RM 1.00 each and authorised capital of RM 1,000,000.00 comprising 1,000,000 ordinary shares of RM 1.00 each, which is currently dormant.
- 4) On 25 September 2007, the Company had acquired the entire equity interest in Hai-O (Hong Kong) Investment Limited (“Hai-O (HK)”) comprising 10,000 ordinary shares of HKD 1.00 each, for a total cash consideration of HKD 10,000.00 or equivalent to approximately RM 5,000.00 only. With effect thereof, Hai-O (HK) is a wholly-owned subsidiary of the Company.

On 8 December 2007, the Company further subscribed for additional 2,370,000 new ordinary share of HKD 1.00 each in Hai-O (HK) for a total consideration of HKD 2,370,000 or equivalent to approximately RM 1,018,802.



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 11 Dec 2007	RM '000 As at 31 Oct 2007	RM'000 As at 30 Apr 2007
Corporate guarantee in respect of banking facilities granted to subsidiaries companies	263	914	627
	<u>263</u>	<u>914</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

Current quarter compared to the preceding year's corresponding quarter

For the second quarter ended 31 October 2007, the Group recorded higher revenue of RM 80.52 million as compared to RM 41.87 million of the corresponding period of the preceding quarter, an increase of about 92%.

The Group registered higher profit after taxation of RM 9.38 million as compared to RM 5.14 million for the corresponding quarter of the preceding year, representing an increase of about 82%. The increase in profit after taxation was mainly due to higher contributions from its principal subsidiary, the multi-level marketing ("MLM") division.

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

For the first half year ended 31 October 2007, the Group achieved higher revenue of RM 139.79 million as compared to RM 81.23 million for the corresponding period of the preceding year, an increase of about 72%. The increase in revenue was attributed from higher sales generated by the MLM division.

The Group profit after taxation increased by about 80% from RM 9.11 million to RM 16.36 million for the corresponding period of the preceding year. The substantial increase were mainly due to higher revenue achieved as mentioned above and additional gain arising on the disposal of quoted investments.



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

For the second quarter under review, the Group registered higher profit after taxation of RM 9.38 million, increased by about 34% against the immediate preceding quarter. The increase in profit was mainly due to higher revenue and profit after tax achieved by the MLM and retail divisions. The intensive sales promotions held in the second quarter by the Hai-O chain stores had contributed significantly to the profit of the retail division, as compared with the immediate preceding quarter.

B3 Commentary on Prospect

The recent economic data had shown that Malaysia's economy had expanded by about 6.7% in the third quarter and is optimistic that the overall 6% growth target for the year is achievable. Despite the slowdown in the US economy which may have negative impact on the global economy, Malaysia's economy is still strong and mainly driven by the domestic consumption. Furthermore, the strong performance of the MLM division will continue to contribute to the Group's profit, therefore the Board is optimistic that the Group's financial performance will remain strong in the next quarter.

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 RM 200 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.

For the first half year ended 31 October 2007, the Group had achieved about RM 140 million in revenue. With the strong performance of the MLM and retail divisions, 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 October 2007 (RM '000)	Current year to date 31 October 2007 (RM '000)
Profit before taxation	12,985	22,828
Taxation at applicable tax rate – 26%	3,376	5,935
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	234	530
Total Taxation expenses	3,610	6,465

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 2007 RM '000	Current year to date 31 Oct 2007 RM '000
Total purchase consideration	2,219	4,412
Total sale proceeds	2,804	4,585
Gain on disposal	287	554



- 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	4,322
Total investment at book value	4,319
Total investment at market value at the end of reporting period	5,926

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	8,996
Total			8,996

B11 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk for the period ended 31 October 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 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. On 13 December 2007, the newly established Intellectual Property Court judge has fixed for mention on 27 February 2008.

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 Payable

The Board of Directors is pleased to declare an interim dividend of 8% per ordinary share less 26% tax in respect of the financial period ended 31 October 2007.

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-07	PRECEDING YEAR CORRESPONDING QUARTER 31-Oct-06	CURRENT YEAR TO DATE 31-Oct-07	PRECEDING YEAR CORRESPONDING PERIOD 31-Oct-06
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent	9,096	4,938	16,159	8,476
Weighted average number of shares ('000)	67,110	65,397	67,110	65,397
Weighted average number of shares deemed to have been issued for No consideration upon exercise Of ESOS ('000)	130	259	130	259
Weighted average number of shares for diluted EPS ('000)	67,240	65,656	67,240	65,656
Basic earnings per share (sen)	13.55	7.55	24.08	12.96
Diluted earnings per share (sen)	13.53	7.52	24.03	12.91