



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

Quarterly report on consolidated results for the financial year ended 31 January 2008  
The figures have not been audited.

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE QUARTER ENDED 31 JANUARY 2008**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2008	31/01/2007	31/01/2008	31/01/2007
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	100,481	51,401	240,274	132,628
Operating expenses	(82,773)	(44,515)	(201,897)	(113,936)
Other operating income	679	614	2,704	1,784
<b>Operating Profit</b>	<b>18,387</b>	<b>7,500</b>	<b>41,081</b>	<b>20,476</b>
Interest income	216	110	547	238
Finance costs	(142)	(106)	(339)	(294)
<b>Profit before taxation</b>	<b>18,461</b>	<b>7,504</b>	<b>41,289</b>	<b>20,420</b>
Income tax expenses	(4,947)	(2,265)	(11,412)	(6,077)
<b>Profit for the period</b>	<b>13,514</b>	<b>5,239</b>	<b>29,877</b>	<b>14,343</b>
<b>Attributable to:</b>				
Equity holders of the parent	13,391	4,967	29,551	13,443
Minority interest	123	272	326	900
	<b>13,514</b>	<b>5,239</b>	<b>29,877</b>	<b>14,343</b>
<b>Earnings Per Share attributable to equity holders of the parent</b>				
- Basic	18.16	7.58	40.07	20.51
- Diluted	18.12	7.53	39.98	20.38

*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 JANUARY 2008**

	<b>AS AT END OF CURRENT QUARTER 31/01/2008 (RM'000)</b>	<b>(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2007 (RM'000)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Property, Plant and Equipment</i>	21,686	22,005
<i>Investment properties</i>	21,345	21,580
<i>Prepaid lease payments</i>	1,759	1,785
<i>Investments</i>	4,067	5,534
<i>Goodwill arising from consolidation</i>	274	274
<i>Trade receivables - non current</i>	1,390	1,497
<i>Deferred tax assets</i>	983	1,080
	<b>51,504</b>	<b>53,755</b>
<b>Current Assets</b>		
<i>Inventories</i>	46,928	33,927
<i>Trade and other receivables</i>	22,360	14,988
<i>Short term investment</i>	22,850	18,622
<i>Cash and Cash Equivalents</i>	47,872	27,672
	<b>140,010</b>	<b>95,209</b>
<b>TOTAL ASSETS</b>	<b>191,514</b>	<b>148,964</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
<i>Share capital</i>	82,826	68,814
<i>Treasury Shares</i>	(4,619)	(2,243)
<i>Other reserve</i>	2,434	1,900
<i>Retained earnings</i>	45,730	37,195
	<b>126,371</b>	<b>105,666</b>
<b>Minority Interests</b>	<b>5,244</b>	<b>5,214</b>
<b>Total Equity</b>	<b>131,615</b>	<b>110,880</b>
<b>Non-current Liabilities</b>		
<i>Borrowings</i>	-	-
<i>Deferred tax</i>	13	58
	<b>13</b>	<b>58</b>
<b>Current Liabilities</b>		
<i>Trade &amp; other payables</i>	36,420	21,603
<i>Short term borrowings</i>	9,776	7,396
<i>Current tax payable</i>	6,556	3,206
<i>Short-term provision</i>	7,134	5,821
	<b>59,886</b>	<b>38,026</b>
<b>Total Liabilities</b>	<b>59,899</b>	<b>38,084</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>191,514</b>	<b>148,964</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<b>1.57</b>	<b>1.57</b>

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.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 JANUARY 2008**

	Attributable to Equity Holders of the Parent							Total	Minority Interest	Total Equity
	Share Capital	Non distributable			Exchange fluctuation reserve	Distributable				
		Treasury shares	Share premium	Reserve on consol		Capital reserve	Retained Earnings			
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
<b>9 month ended 31 January 2008</b>										
Balance as at 1 May 2007 as previously stated	68,814	(2,243)	600	-	629	670	37,195	105,665	5,214	110,879
<b>Net profit for the financial year</b>	-	-	-	-	-	-	29,551	29,551	326	29,877
Total recognised income and expenses for the year	-	-	-	-	-	-	29,551	29,551	326	29,877
Capitalisation of Bonus issues	13,412	-	-	-	-	-	(13,412)	-	-	-
Realisation of capital reserve on disposal of a subsidiary company	-	-	-	-	-	(13)	-	(13)	-	(13)
Exercise of ESOS	600	-	548	-	-	-	-	1,148	-	1,148
Purchase of Company's own shares	-	(2,376)	-	-	-	-	-	(2,376)	-	(2,376)
Dividend of 13%, less tax	-	-	-	-	-	-	(7,604)	(7,604)	(296)	(7,900)
<b>Balance at end of financial period</b>	<b>82,826</b>	<b>(4,619)</b>	<b>1,148</b>	<b>-</b>	<b>629</b>	<b>657</b>	<b>45,730</b>	<b>126,371</b>	<b>5,244</b>	<b>131,615</b>
<b>9 month ended 31 January 2007</b>										
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
<b>Net profit for the financial year</b>	-	-	-	-	-	-	13,443	13,443	900	14,343
Total recognised income and expenses for the year	-	-	-	-	-	-	13,443	13,443	900	14,343
Exercise of ESOS	1,383	-	174	-	-	-	-	1,557	-	1,557
Purchase of Company's own shares	-	(563)	-	-	-	-	-	(563)	-	(563)
Dividend of 8%, less tax	-	-	-	-	-	-	(3,788)	(3,788)	(101)	(3,889)
<b>Balance at end of financial period</b>	<b>67,712</b>	<b>(1,728)</b>	<b>174</b>	<b>-</b>	<b>629</b>	<b>670</b>	<b>32,587</b>	<b>100,044</b>	<b>5,417</b>	<b>105,461</b>

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.



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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS  
FOR THE QUARTER ENDED 31 JANUARY 2008**

	<b>2008</b> <b>9 month</b> <b>ended</b> <b>31/Jan/08</b> <b>(RM '000)</b>	<b>2007</b> <b>9 month</b> <b>ended</b> <b>31/Jan/07</b> <b>(RM '000)</b>
Net Profit before tax	41,289	20,420
Adjustment for non-cash flow :-		
Non-cash items	4,035	3,345
Non-operating items	(1,309)	(565)
Operating profit before changes in working capital	44,015	23,200
Changes in working capital		
<i>Net Change in current assets</i>	(20,635)	(9,633)
<i>Net Change in current liabilities</i>	14,766	5,632
<i>Tax paid</i>	(8,173)	(4,259)
	(14,042)	(8,260)
<b>Net cash flows from operating activities</b>	<b>29,973</b>	<b>14,940</b>
Investing Activities		
<i>Other investment</i>	556	(7,198)
<i>Quoted investment</i>	(3,243)	(1,596)
<b>Net cash used in investing activities</b>	<b>(2,687)</b>	<b>(8,794)</b>
Financing Activities		
<i>Purchase of Company's own share</i>	(2,376)	(563)
<i>Proceeds from issue of shares</i>	1,148	1,558
<i>Dividend paid</i>	(7,900)	(3,889)
<i>Interest paid</i>	(338)	(294)
<i>Bill payable</i>	2,380	3,196
<b>Net cash used in financing activities</b>	<b>(7,086)</b>	<b>8</b>
Net Changes in Cash & Cash Equivalents	20,200	6,154
Cash & Cash Equivalents at beginning of financial period	27,672	13,640
<b>Cash &amp; Cash Equivalents at end of the financial period</b>	<b>47,872</b>	<b>19,794</b>

*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.*



**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 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 January 2008 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 Nov 2007	2,355,986	3,993,732
Repurchased during the quarter	198,900	625,481
Balance as at 31 Jan 2008	2,554,886	4,619,213

The repurchase transactions were financed by internally generated funds.

As at 19 March 2008, the treasury shares held was 2,999,986 ordinary shares with total purchase considerations of RM 5,896,338.

- b) Issuance of 237,000 new ordinary shares of RM 1.00 each pursuant to the Company's Employees' Share Option Scheme (ESOS) at exercise price of RM 2.70 per share for the quarter under review. The total proceeds arising from the exercise of options under the ESOS amounted to RM 639,900.

**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 January 2008 are as follows:

### Business Segment of the Group

	Wholesale	Multi-Level Marketing	Retailing	Manufacturing	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>REVENUE</b>							
External sales	35,160	174,295	28,389	779	1,651	0	240,274
Inter-segment sales	79,784	0	74	1,870	5,018	(86,746)	0
Total revenue	114,944	174,295	28,463	2,649	6,669	(86,746)	240,274
<b>RESULT</b>							
Segment result	12,697	25,560	1,405	300	1,395	(276)	41,081
Unallocated corporate expenses							-
Operating profit							41,081
Interest expense							(339)
Interest income							547
Profit before taxation							41,289
Taxation							(11,412)
Net profit for the period							29,877

## 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 January 2008 up to the date of this report except for the following;

**Acquisition of land and building measuring an aggregate area of approximately 1,245,746 square feet located in the Mukim of Kapar, Daerah Klang, Negeri Selangor by the Company from Bata (Malaysia) Sdn Bhd (“Bata”) for a total consideration of RM 45,000,000**

On 21 December 2007, the Company announced the above proposal which was subsequently approved by the Company’s shareholders at an Extraordinary General Meeting (EGM) held on 6 March 2008.

On 26 February 2008, the Foreign Investment Committee (“FIC”) had, vide its letter dated 25 February 2008 that they have no objection to the above acquisition.

#### **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 8 December 2007, the Company subscribed for additional 2,370,000 new ordinary share of HKD 1.00 each in Hai-O (HK) Investment Limited (“Hai-O (HK)”) for a total consideration of HKD 2,370,000 or equivalent to approximately RM 1,018,802. With effect thereof, the paid-up share capital of Hai-O (HK) had increased to 2,380,000 ordinary shares of HKD 1.00 each
- 2) 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.





## A12 Contingent liabilities

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

	As at 19 Mar 2008 (RM'000)	As at 31 Jan 2008 (RM '000)	As at 30 Apr 2007 (RM'000)
Corporate guarantee in respect of banking facilities granted to subsidiaries companies	379	520	627
	<u>379</u>	<u>520</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 third quarter ended 31 January 2008, the Group recorded higher revenue of RM 100.48 million as compared to RM 51.40 million of the corresponding quarter of the preceding year, representing an increase of about 95%.

The Group registered higher profit before taxation of about RM 18.46 million, increase by about 146% compared to the corresponding quarter of the preceding year. The increase in profit before taxation was mainly contributed from the wholesale division and its principal subsidiary, the multi-level marketing ("MLM") division.

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

For the three quarters ended 31 January 2008, the Group recorded higher revenue of RM 240.27 million and profit after taxation of RM 29.88 million, as compared to the corresponding period of the preceding year of RM 132.63 million and RM 14.34 million, respectively.

The strong financial performance was mainly due to higher sales from MLM division and higher margin achieved from wholesale and retail divisions. The dedicated network of distributors and success in organising overseas trip incentive campaign have enabled MLM division to double up its profit as compared to the preceding year. Whereas for retail division, the aggressive promotion campaign carried out during the festive seasons and continuous effort in focusing and promoting house brand with higher profit margin, had driven this division to perform better as compared to the preceding year.



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

For the third quarter under review, the Group registered higher profit after taxation of RM 13.51 million, increase by about 44% against the immediate preceding quarter. The increase in profit was mainly due to higher revenue and profit generated from the MLM and wholesale divisions.

**B3 Commentary on Prospect**

Despite higher inflation rate and weakening in consumer sentiment, the Group is still optimistic about the overall performance of the MLM and retail divisions. A group of dedicated and aggressive distributors together with its growing network will continue to bring higher revenue to the MLM division. Moreover, the coming financial year end sales to be campaigned by the retail division is expected to add on higher revenue to the Group. Meanwhile, the Group will continue to carry out more advertising and promotion activities, and brand building exercises. In view thereof, the Board of Directors expects the overall financial performance for the forthcoming quarter to remain strong.

**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 9 months ended 31 January 2008, the Group's revenue had touched to 240 million which is higher than its targeted revenue of RM 200 million as mentioned earlier.

**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 January 2008 (RM '000)	Current year to date 31 January 2008 (RM '000)
Profit before taxation	18,461	41,289
Taxation at applicable tax rate – 26%	4,800	10,735
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	147	677
Total Taxation expenses	4,947	11,412

## 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 Jan 2008 (RM '000)	Current year to date 31 Jan 2008 (RM '000)
Total purchase consideration	586	4,998
Total sale proceeds	1,119	5,704
Gain on disposal	55	609



- 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	3,843
Total investment at book value	3,840
Total investment at market value at the end of reporting period	5,247

#### **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	9,776
Total			9,776

#### **B11 Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk for the period ended 31 January 2008.

#### **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 and 400 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 27 February 2008, the judge has fixed for mention on 27 March 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**

On 19 February 2008, the Board of Directors announced an interim dividend of 8% per ordinary share less 26% tax in respect of the financial year ending 30 April 2008.

The entitlement date and dividend payment date are fixed on 14 March 2008 and 28 March 2008, respectively.



## B14 Earnings per share (EPS)

### Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jan-08	PRECEDING YEAR CORRESPONDING QUARTER 31-Jan-07	CURRENT YEAR TO DATE 31-Jan-08	PRECEDING YEAR CORRESPONDING PERIOD 31-Jan-07
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent (RM'000)	13,391	4,967	29,551	13,443
Weighted average number of shares ('000)	73,740	65,529	73,740	65,529
Weighted average number of shares deemed to have been issued for no consideration upon exercise of ESOS ('000)	177	435	177	435
Weighted average number of shares for diluted EPS ('000)	73,917	65,964	73,917	65,964
Basic earnings per share (sen)	18.16	7.58	40.07	20.51
Diluted earnings per share (sen)	18.12	7.53	39.98	20.38