

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

Quarterly report on consolidated results for the financial year ended 30 April 2008  
The figures have not been audited.

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE QUARTER ENDED 30 APRIL 2008**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/04/2008	30/04/2007	30/04/2008	(Audited) 30/04/2007
	RM'000	RM'000	RM'000	RM'000
Revenue	133,548	56,718	373,822	189,346
Operating expenses	(108,773)	(48,416)	(310,670)	(162,352)
Other operating income	1,396	1,687	4,100	3,471
<b>Operating Profit</b>	<b>26,171</b>	<b>9,989</b>	<b>67,252</b>	<b>30,465</b>
Interest income	322	233	869	471
Finance costs	(58)	(34)	(396)	(328)
<b>Profit before taxation</b>	<b>26,435</b>	<b>10,188</b>	<b>67,725</b>	<b>30,608</b>
Income tax expenses	(7,267)	(2,417)	(18,679)	(8,494)
<b>Profit for the period</b>	<b>19,168</b>	<b>7,771</b>	<b>49,046</b>	<b>22,114</b>
<b>Attributable to:</b>				
Equity holders of the parent	18,942	4,967	48,493	21,384
Minority interest	226	272	553	730
	<b>19,168</b>	<b>5,239</b>	<b>49,046</b>	<b>22,114</b>
<b>Earnings Per Share attributable to equity holders of the parent</b>				
- Basic	25.15	7.57	64.38	32.61
- Diluted	25.09	7.53	64.23	32.41

*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.*



**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 APRIL 2008**

	AS AT END OF CURRENT QUARTER 30/04/2008 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2007 (RM'000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Property, Plant and Equipment</i>	21,620	22,005
<i>Investment properties</i>	20,899	21,580
<i>Prepaid lease payments</i>	1,750	1,785
<i>Investments</i>	2,741	5,534
<i>Goodwill arising from consolidation</i>	85	274
<i>Trade receivables - non current</i>	1,373	1,497
<i>Deferred tax assets</i>	1,684	1,080
	<b>50,152</b>	<b>53,755</b>
<b>Current Assets</b>		
<i>Inventories</i>	40,570	33,927
<i>Trade and other receivables</i>	25,856	14,988
<i>Short term investment</i>	13,424	18,622
<i>Cash and Cash Equivalents</i>	73,266	27,672
	<b>153,116</b>	<b>95,209</b>
<b>TOTAL ASSETS</b>	<b>203,268</b>	<b>148,964</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
<i>Share capital</i>	83,088	68,814
<i>Treasury Shares</i>	(6,291)	(2,243)
<i>Other reserve</i>	3,795	1,900
<i>Retained earnings</i>	59,924	37,195
	<b>140,516</b>	<b>105,666</b>
<b>Minority Interests</b>	<b>5,470</b>	<b>5,214</b>
<b>Total Equity</b>	<b>145,986</b>	<b>110,880</b>
<b>Non-current Liabilities</b>		
<i>Borrowings</i>	-	-
<i>Deferred tax</i>	64	58
	<b>64</b>	<b>58</b>
<b>Current Liabilities</b>		
<i>Trade &amp; other payables</i>	36,647	21,603
<i>Short term borrowings</i>	5,214	7,396
<i>Current tax payable</i>	7,793	3,206
<i>Short-term provision</i>	7,564	5,821
	<b>57,218</b>	<b>38,026</b>
<b>Total Liabilities</b>	<b>57,282</b>	<b>38,084</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>203,268</b>	<b>148,964</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<b>1.76</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.



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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS  
FOR THE QUARTER ENDED 30 APRIL 2008**

	<b><u>2008</u></b> <b>12 month</b> <b>ended</b> <b>30/Apr/08</b> <b>(RM '000)</b>	(Audited) <b><u>2007</u></b> <b>12 month</b> <b>ended</b> <b>30/Apr/07</b> <b>(RM '000)</b>
Net Profit before tax	67,725	30,608
Adjustment for non-cash flow :-		
Non-cash items	8,392	6,867
Non-operating items	(2,509)	(1,147)
Operating profit before changes in working capital	<b>73,608</b>	<b>36,328</b>
Changes in working capital		
<i>Net Change in current assets</i>	(19,498)	(147)
<i>Net Change in current liabilities</i>	14,993	(1,549)
<i>Tax paid</i>	(14,383)	(6,829)
	(18,888)	(8,525)
<b>Net cash flows from operating activities</b>	<b>54,720</b>	<b>27,803</b>
Investing Activities		
<i>Other investment</i>	6,086	(10,044)
<i>Quoted investment</i>	2,207	(1,006)
<b>Net cash used in investing activities</b>	<b>8,293</b>	<b>(11,050)</b>
Financing Activities		
<i>Purchase of Company's own share</i>	(4,048)	(1,078)
<i>Proceeds from issue of shares capital</i>	1,855	3,085
<i>Dividend paid</i>	(12,648)	(7,223)
<i>Interest paid</i>	(396)	(328)
<i>Borrowing</i>	(2,182)	2,822
<b>Net cash used in financing activities</b>	<b>(17,419)</b>	<b>(2,722)</b>
Net Changes in Cash & Cash Equivalents	45,594	14,031
Cash & Cash Equivalents at beginning of financial year	27,672	13,641
<b>Cash &amp; Cash Equivalents at end of the financial year</b>	<b>73,266</b>	<b>27,672</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.*



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 APRIL 2008**

	Attributable to Equity Holders of the Parent							Total	Minority Interest	Total Equity	
	Share Capital	Treasury shares	Share premium	Reserve on consolidation	Exchange fluctuation reserve	Capital reserve	Share option reserve				Retained Earnings
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
<b>12 month ended 30 April 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>	-	-	-	-	-	-	-	48,493	48,493	553	49,046
Total recognised income and expenses for the year	-	-	-	-	-	-	-	48,493	48,493	553	49,046
Capitalisation of Bonus issues	13,412	-	-	-	-	-	-	(13,412)	-	-	-
Realisation of capital reserve on disposal of a subsidiary company	-	-	-	-	-	(13)	-	-	(13)	-	(13)
Purchase of Company's own shares	-	(4,048)	-	-	-	-	-	-	(4,048)	-	(4,048)
Dividend of 13%, less tax	-	-	-	-	-	-	-	(12,352)	(12,352)	(297)	(12,649)
Ordinary shares issued pursuant to ESOS	862	-	993	-	-	-	-	-	1,855	-	1,855
Share option granted under ESOS	-	-	-	-	-	-	916	-	916	-	916
<b>Balance at end of financial year</b>	<b>83,088</b>	<b>(6,291)</b>	<b>1,593</b>	<b>-</b>	<b>629</b>	<b>657</b>	<b>916</b>	<b>59,924</b>	<b>140,516</b>	<b>5,470</b>	<b>145,986</b>
<b>12 month ended 30 April 2007</b>											
Balance as at 1 May 2006	66,329	(1,165)	-	489	629	670	-	22,442	89,394	4,618	94,012
Changes in accounting policies: -- effects of adopting FRS 3	-	-	-	(489)	-	-	-	489	-	-	-
Restated balance at 1 May 2006	66,329	(1,165)	-	-	629	670	-	22,931	89,394	4,618	94,012
<b>Net profit for the financial year</b>	-	-	-	-	-	-	-	21,384	21,384	730	22,114
Realisation of exchange fluctuation reserve on disposal of a subsidiary company	-	-	-	-	1	-	-	-	1	-	1
Total recognised income and expenses for the year	-	-	-	-	1	-	-	21,384	21,385	730	22,115
Ordinary shares issued pursuant to ESOS	2,485	-	600	-	-	-	-	-	3,085	-	3,085
Dividend paid to minority shareholder of subsidiary company	-	-	-	-	-	-	-	-	-	(103)	(103)
Minority shareholders of a wound up subsidiary company	-	-	-	-	-	-	-	-	-	(31)	(31)
Purchase of Company's own shares	-	(1,078)	-	-	-	-	-	-	(1,078)	-	(1,078)
Final dividend of 13%, less tax	-	-	-	-	-	-	-	(3,788)	(3,788)	-	(3,788)
Tax exemption dividend	-	-	-	-	-	-	-	(3,332)	(3,332)	-	(3,332)
<b>Balance at end of financial year</b>	<b>68,814</b>	<b>(2,243)</b>	<b>600</b>	<b>-</b>	<b>630</b>	<b>670</b>	<b>-</b>	<b>37,195</b>	<b>105,666</b>	<b>5,214</b>	<b>110,880</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.



**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 30 April 2008 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 Feb 2008	2,554,886	4,619,213
Repurchased during the quarter	569,000	1,671,889
Balance as at 30 Apr 2008	3,123,886	6,291,102

The repurchase transactions were financed by internally generated funds.

As at 23 June 2008, the treasury shares held was 3,398,386 ordinary shares with total purchase considerations of RM 7,327,291.



- b) Issuance of 262,000 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 707,400.

#### A7 Dividend paid

An interim dividend of 8% gross per ordinary share (2007: 5% tax exempt), less tax amounting to RM 4,747,700 was paid on 28 March 2008.

#### A8 Segment information

Details of segmental analysis for the period ended 30 April 2008 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
<b>REVENUE</b>							
External sales	49,366	281,587	39,340	1,199	2,330	0	373,822
Inter-segment sales	118,715	0	152	2,594	6,568	(128,029)	0
Total revenue	168,081	281,587	39,492	3,793	8,898	(128,029)	373,822
<b>RESULT</b>							
Segment result	37,121	46,797	1,999	454	1,586	(20,705)	67,252
Unallocated corporate expenses							-
Operating profit							67,252
Interest expense							(396)
Interest income							869
Profit before taxation							67,725
Taxation							(18,679)
Net profit for the year							49,046

#### 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 30 April 2008 up to the date of this report except for the following:

- 1) **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 15 May 2008, the Company had made full settlement of RM 45,000,000 to Bata, through internally-generated fund of RM 25,000,000 and bank borrowings of RM 20,000,000.

- 2) On 22 May 2008, the Company’s 66.40% owned subsidiary Samariatan Sdn Bhd had disposed of its entire 100% equity interest in Chop Aik Seng Trading Sdn Bhd, which comprising 100,000 ordinary shares of RM 1.00 each, via its wholly owned subsidiary, Chop Aik Seng Sdn Bhd for a total cash consideration of RM 20,000.

#### 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 23 Jun 2008	RM '000 As at 30 Apr 2008	RM'000 As at 30 Apr 2007
Corporate guarantee in respect of banking facilities granted to subsidiary companies	0	86	627
	<u>0</u>	<u>86</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 fourth quarter ended 30 April 2008, the Group achieved higher revenue of RM 133.55 million compared to RM 56.72 million of the corresponding quarter of the preceding year, representing an increase of about 135%. The increase in revenue was mainly contributed from the wholesale division and its principal subsidiary, the multi-level marketing ("MLM") division.

In corresponding to the higher revenue that has been achieved, the Group had recorded higher profit after taxation of RM 19.17 million as compared to RM 7.77 million of the corresponding quarter of the preceding year, an increase of about 151%.

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

For the financial year under review, the Group registered higher revenue and profit after taxation of RM 373.82 million and RM 49.05 million, against RM 189.35 million and RM 22.11 million respectively for the corresponding period of the preceding year. Its principal subsidiary, the MLM division had a tremendous growth this year in terms of revenue and profit, which contributed about 70% to the Group's profit. In addition, higher margin mainly resulting from the strengthening of the Malaysian Ringgit against the US Dollar had reduced the import purchase costs. The success of promoting house-brand products and higher members' sales from the retail division had also contributed to the higher profit for the Group.

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

For the fourth quarter under review, the Group recorded higher revenue and profit after taxation of RM 133.55 million and RM 19.17 million as compared to the immediate preceding quarter of RM 100.48 million and RM 13.51 million respectively. The increase in profit was mainly due to higher revenue generated from MLM, retail and manufacturing divisions.

### **B3 Commentary on prospect for the next financial year**

The recent increase in fuel cost and food prices, coupled with higher inflation rate are expected to continue to affect the domestic market. The weakening of purchasing power of domestic consumers will further dampen the retail industries. Moreover, the expected increase in import and transportation costs, plus high operating costs will affect the profitability. The Group is taking necessary action to refocus its resources on its core business, emphasize more on house-brand products and carry out more members' sales promotion. In view thereof, the Board of Directors is of the opinion that the Group's performance for the next financial year will continue to be profitable in a more challenging operating environment.

### **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 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 30 April 2008 (RM '000)	Current year to date 30 April 2008 (RM '000)
Profit before taxation	26,435	67,725
Taxation at applicable tax rate – 26%	6,873	17,609
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	394	1,070
Total Taxation expenses	7,267	18,679

## B6 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.

## B7 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 30 Apr 2008 RM '000	Current year to date 30 Apr 2008 RM '000
Total purchase consideration	408	5,406
Total sale proceeds	1,909	7,613
Gain on disposal	113	722

- 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	2,517
Total investment at book value	2,515
Total investment at market value at the end of reporting period	3,422

## B8 Corporate Proposals

There is no corporate proposal for the period under review.

## B9 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	5,214
Total			5,214

## B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk for the year ended 30 April 2008.

## B11 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 had 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 advise, 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 Summon and Statement of Claim dated 23 May 1997 (“Suit 400”), the Company and Shandong Medicine & Health Products Import & Export Corp., Changyu Pioneer Wine Co. and Yantai Native Product Import & Export Corp. (“the Chinese Parties”) filed an action against the Nguang Chan Group and Golden Spring Spirits Agency claiming for damages for infringement of their product named ZQP Brand Ling Zhi which been ordered to consolidate with Suit 34 on 5 August 1997.

The Company had made several applications seeking for further discovery, production and inspection of documents against the Nguang Chan Group. Order in terms of the these applications were given by the High Court on 23 April 2001 wherein the Nguang Chan Group had thereafter appealed to the Court of Appeal against this decision.

The Court of Appeal heard the appeal on 14 March 2006 wherein Nguang Chan Group’s appeal was allowed. The Company has appealed against the Court of Appeal’s decision to the Federal Court. Applications for leave to appeal were fixed for hearing on 22 August 2006.

The applications were heard as scheduled. The Federal Court had adjourned both the applications to a date to be fixed with directions to the Court of Appeal to deliver its decisions as the Court of Appeal has not delivered the same to the Federal Court.



The High Court had fixed Suits 34 and 400 for mention on 17 September 2007 and fixed for trial on 3 October 2007 and 4 October 2007. On 17 September 2007, the trial which had been fixed on 3 October 2007 and 4 October 2007 had been vacated to enable the matters to be transferred to the newly established Intellectual Property Court. The matter was then fixed on 27 March 2008, and on that date, the learned judge of the Intellectual Property Court had fixed the matter for trial on 11 February 2009 and 12 February 2009.

The 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.

## B12 Dividend Payable

The Board of Directors is pleased to propose a final dividend of 32% per ordinary share less 26% tax in respect of the financial year ended 30 April 2008 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting. This dividend, upon approval by the shareholders, will be accounted for as an appropriation of retained earnings in the financial year in which it is declared (30/04/2007: 13% per ordinary share less 27% tax, RM 7,604,759).

The dates of entitlement and payment will be advised later.

## B13 Earnings per share (EPS)

### Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30-Apr-08	PRECEDING YEAR CORRESPONDING QUARTER 30-Apr-07	CURRENT YEAR TO DATE 30-Apr-08	PRECEDING YEAR CORRESPONDING PERIOD 30-Apr-07 (Audited)
Net profit for the period attributable to equity holders of the parent	18,942	4,967	48,493	21,384
Weighted average number of shares ('000)	75,318	65,575	75,318	65,575
Weighted average number of shares deemed to have been issued for No consideration upon exercise Of ESOS ('000)	180	402	180	402
Weighted average number of shares for diluted EPS ('000)	75,498	65,977	75,498	65,977
Basic earnings per share (sen)	25.15	7.57	64.38	32.61
Diluted earnings per share (sen)	25.09	7.53	64.23	32.41