

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

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2008	31/07/2007	31/07/2008	31/07/2007
	RM'000	RM'000	RM'000	RM'000
Revenue	112,910	59,276	112,910	59,276
Operating expenses	(95,180)	(50,296)	(95,180)	(50,296)
Other operating income	830	830	830	830
Operating Profit	18,560	9,810	18,560	9,810
Interest income	329	134	329	134
Finance costs	(207)	(101)	(207)	(101)
Profit before taxation	18,682	9,843	18,682	9,843
Income tax expenses	(5,102)	(2,855)	(5,102)	(2,855)
Profit for the period	13,580	6,988	13,580	6,988
Attributable to:				
Equity holders of the parent	13,602	7,063	13,602	7,063
Minority interest	(22)	(75)	(22)	(75)
	13,580	6,988	13,580	6,988
Earnings Per Share attributable to equity holders of the parent				
- Basic	16.80	10.53	16.80	10.53
- Diluted	16.65	10.51	16.65	10.51

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2008 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 JULY 2008**

	AS AT END OF CURRENT QUARTER 31/07/2008 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2008 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	54,235	21,597
<i>Investment properties</i>	33,015	20,922
<i>Prepaid lease payments</i>	1,742	1,751
<i>Investments</i>	2,570	2,741
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	1,393	1,373
<i>Deferred tax assets</i>	1,684	1,684
	94,724	50,153
Current Assets		
<i>Inventories</i>	44,591	41,374
<i>Trade and other receivables</i>	22,559	25,893
<i>Short term investment</i>	15,470	13,424
<i>Cash and Cash Equivalents</i>	60,326	73,266
	142,946	153,957
TOTAL ASSETS	237,670	204,110
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	84,085	83,088
<i>Treasury Shares</i>	(7,518)	(6,291)
<i>Other reserve</i>	5,492	3,797
<i>Retained earnings</i>	73,580	59,978
	155,639	140,572
Minority Interests	5,478	5,500
Total Equity	161,117	146,072
Non-current Liabilities		
<i>Borrowings</i>	17,787	-
<i>Deferred tax</i>	154	64
	17,941	64
Current Liabilities		
<i>Trade & other payables</i>	35,472	39,352
<i>Short term borrowings</i>	5,962	5,214
<i>Current tax payable</i>	8,607	7,791
<i>Short-term provision</i>	8,571	5,617
	58,612	57,974
Total Liabilities	76,553	58,038
TOTAL EQUITY AND LIABILITIES	237,670	204,110
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.93	1.76

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 April 2008 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 2008**

	<u>2008</u> 3 month ended 31/Jul/08 (RM '000)	<u>2007</u> 3 month ended 31/Jul/07 (RM '000)
Net Profit before tax	18,682	9,843
Adjustment for non-cash flow :-		
Non-cash items	4,082	4,169
Non-operating items	(294)	(378)
Operating profit before changes in working capital	22,470	13,634
Changes in working capital		
<i>Net Change in current assets</i>	(5,365)	(5,769)
<i>Net Change in current liabilities</i>	(3,431)	(746)
<i>Tax paid</i>	(4,216)	(1,859)
	(13,012)	(8,374)
Net cash flows from operating activities	9,458	5,260
Investing Activities		
<i>Other investment</i>	(22,232)	1,423
<i>Quoted investment</i>	(131)	(6,378)
Net cash used in investing activities	(22,363)	(4,955)
Financing Activities		
<i>Purchase of Company's own share</i>	(1,227)	(437)
<i>Proceeds from issue of shares capital</i>	2,692	301
<i>Interest paid</i>	(207)	(101)
<i>Borrowing</i>	(1,293)	246
Net cash used in financing activities	(35)	9
Net Changes in Cash & Cash Equivalents	(12,940)	314
Cash & Cash Equivalents at beginning of financial year	73,266	27,672
Cash & Cash Equivalents at end of the financial period	60,326	27,986

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2008 and the accompanying explanatory notes attached to the interim financial statements.



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

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

	Attributable to Equity Holders of the Parent							Total	Minority Interest	Total Equity
	Share Capital	Non distributable			Distributable					
	Treasury shares	Share premium	Exchange fluctuation reserve	Capital reserve	Share option reserve					
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
3 month ended 31 July 2008										
Balance as at 1 May 2008 as previously stated	83,088	(6,291)	1,826	629	657	685	59,978	140,572	5,500	146,072
Net profit for the financial year	-	-	-	-	-	-	13,602	13,602	(22)	13,580
Total recognised income and expenses for the year	-	-	-	-	-	-	13,602	13,602	(22)	13,580
Purchase of Company's own shares	-	(1,227)	-	-	-	-	-	(1,227)	-	(1,227)
Ordinary shares issued pursuant to ESOS	997	-	1,695	-	-	-	-	2,692	-	2,692
Share option granted under ESOS	-	-	-	-	-	-	-	-	-	-
Balance at end of financial period	84,085	(7,518)	3,521	629	657	685	73,580	155,639	5,478	161,117
3 month ended 31 July 2007										
Balance as at 1 May 2007	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
Ordinary shares issued pursuant to 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

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2008 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 2008.

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 2008.

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 2008 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 May 2008	3,123,886	6,291,102
Repurchased during the quarter	324,400	1,226,836
Balance as at 31 July 2008	3,448,286	7,517,938

The repurchase transactions were financed by internally generated funds.

On 11 August 2008, 3,225,542 treasury shares at total cost of RM 6,967,171 were distributed as share dividend. As at 11 September 2008, the treasury shares held were 441,544 ordinary shares with total purchase consideration of RM 1,379,821.



- b) Issuance of 997,000 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 2,691,900.

A7 Dividend paid

On 26 June 2008, the Company had declared a distribution of one (1) treasury share for every twenty five (25) existing ordinary shares of RM1.00 each ("Share Dividend"), in respect of the financial year ended 30 April 2009, held by shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 31 July 2008.

On 11 August 2008, a total of 3,225,542 treasury shares were distributed to entitled shareholders in relation to this Share Dividend.

A8 Segment information

Details of segmental analysis for the period ended 31 July 2008 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	12,253	91,548	7,952	644	513	0	112,910
Inter-segment sales	32,433	0	14	558	1,292	(34,297)	0
Total revenue	44,686	91,548	7,966	1,202	1,805	(34,297)	112,910
RESULT							
Segment result	3,606	14,241	276	267	(139)	309	18,560
Unallocated corporate expenses							-
Operating profit							18,560
Interest expense							(207)
Interest income							329
Profit before taxation							18,682
Taxation							(5,102)
Net profit for the period							13,580



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

On 16 September 2008, the Company had announced its intention to incorporate a subsidiary company in Guangzhou, China via its wholly-owned subsidiary, Hai-O (Hong Kong) Investment Ltd by subscription of 200,000 shares of USD 1.00 each, representing 100% equity interest for a total cash consideration of USD 200,000 only. The proposed name of the foreign subsidiary is Hai-O (Guangzhou) Trading Ltd (“Hai-O (Guangzhou)”). The establishment of Hai-O (Guangzhou) would facilitate the Company’s marketing and trading activities in the China domestic market.

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:

- i) 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.
- ii) On 31 July 2008, the Company had completed the formation of PT. Hai-O Indonesia (“Hai-O Indonesia”). The authorised capital and paid-up capital of Hai-O Indonesia is 100,000 ordinary share of Rupiah 9,288 each. The Company had subscribed 80% or 80,000 shares of the paid-up share capital of Hai-O Indonesia for a total investment cost of USD 80,000 or equivalent to Rupiah 743,040,000. The investment in Hai-O Indonesia was financed by internally generated funds.

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 11 Sept 2008	As at 31 July 2008	As at 30 Apr 2008
	RM ‘000	RM ‘000	RM ‘000
Corporate guarantee in respect of banking facilities granted to subsidiary companies	0	0	86
	<u>0</u>	<u>0</u>	<u>86</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 the first quarter ended 31 July 2008, the Group achieved higher revenue of RM112.91 million compared to RM 59.28 million of the corresponding quarter of the preceding year, representing an increase of about 90%. The increase in revenue was mainly contributed by its principal subsidiary, the multi-level marketing (“MLM”) division.

Corresponding to the higher revenue achieved, the Group has recorded higher profit after taxation of RM 13.58 million as compared to RM 6.99 million of the corresponding quarter of the preceding year, an increase of about 94%.

The MLM division has a substantial growth in the first quarter, revenue and profit after taxation increased by almost 128% and 150% respectively as compared to last year's corresponding quarter, mainly attributable to high productivity of distributors coupled with the increase of new distributor force in the MLM division.

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

For the first quarter under review, the Group recorded lower profit after taxation of RM 13.58 million as compared to the immediate preceding quarter of RM 19.17 million. Despite lower revenue recorded in the current quarter, the higher operating costs due to high fuel cost and inflation had further affected the performance of the Group. In the preceding quarter, the higher profit was mainly attributable to higher revenue achieved by the Group due to the contribution from members' sales of the retail division and sales campaign of the MLM division.

B3 Commentary on prospect

Slowing down in the world economy and high inflation had weakened the consumers' purchasing power. However, the group will continue to introduce new products for its MLM and retail divisions. Moreover, the MLM division will continue recruiting more stockists and carry out more sales campaign. In view thereof, the Board of Directors is of the opinion that the Group's performance will remain profitable.

B4 Statement of Internal targets previously announced or disclosed in public documents

With reference to the article appearing in The Star, STARBIZ, page B5 on Saturday, 27 June 2008, in particular pertaining to the sentence which is reproduced as follows:

“Hai-O Enterprise Bhd sees 20% growth in revenue for the year ending March 31, 2009 (FY09), driven by the multi-level marketing (MLM) division.....”

Further to the announcement made on 27 June 2008, the Company had clarified that the financial year is ending April 30, 2009 instead of March 31, 2009. 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 auditor of the Company.

Despite the higher profit achieved by the Group as mentioned above, the Board is cautious of the current weak market condition, high operating costs and is foreseeable that this internal target is unlikely to be achieved. However, the Board will take the necessary action to weather through this challenging environment and to deliver satisfactory results.



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 2008 (RM '000)	Current year to date 31 July 2008 (RM '000)
Profit before taxation	18,682	18,682
Taxation at applicable tax rate – 25%	4,671	4,671
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	431	431
Total Taxation expenses	5,102	5,102

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 2008 RM '000	Current year to date 31 July 2008 RM '000
Total purchase consideration	591	591
Total sale proceeds	722	722
Loss on disposal	(40)	(40)



- 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	2,346
Total investment at book value	2,344
Total investment at market value at the end of reporting period	3,075

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	3,921
Short Term Borrowings	Malaysia Ringgit	Secured	2,041
Long Term Borrowings	Malaysia Ringgit	Secured	17,787
Total			23,749

B11 Off Balance Sheet Financial Instruments

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

B13 Dividend

No interim dividend has been declared for the period under review (31/7/2007: NIL).



B14 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jul-08	PRECEDING YEAR CORRESPONDING QUARTER 31-July-07	CURRENT YEAR TO DATE 31-Jul-08	PRECEDING YEAR CORRESPONDING PERIOD 31-July-07
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent	13,602	7,063	13,602	7,063
Weighted average number of shares ('000)	80,965	67,103	80,965	67,103
Weighted average number of shares deemed to have been issued for No consideration upon exercise Of ESOS ('000)	741	132	741	132
Weighted average number of shares for diluted EPS ('000)	81,706	67,235	81,706	67,235
Basic earnings per share (sen)	16.80	10.53	16.80	10.53
Diluted earnings per share (sen)	16.65	10.51	16.65	10.51