



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

Quarterly report on consolidated results for the financial period ended 31 January 2009
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 JANUARY 2009

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2009	31/01/2008	31/01/2009	31/01/2008
	RM'000	RM'000	RM'000	RM'000
Revenue	102,129	100,481	302,331	240,274
Operating expenses	(84,752)	(82,773)	(252,958)	(201,897)
Other operating income	1,259	679	3,339	2,704
Operating Profit	18,636	18,387	52,712	41,081
Interest income	188	216	817	547
Finance costs	(262)	(142)	(947)	(339)
Profit before taxation	18,562	18,461	52,582	41,289
Income tax expenses	(6,153)	(4,947)	(15,441)	(11,412)
Profit for the period	12,409	13,514	37,141	29,877
Attributable to:				
Equity holders of the parent	11,989	13,391	36,480	29,551
Minority interest	420	123	661	326
	12,409	13,514	37,141	29,877
Earnings Per Share attributable to equity holders of the parent				
- Basic	14.64	18.16	44.56	40.07
- Diluted	14.63	18.12	44.51	39.98

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 JANUARY 2009

	AS AT END OF CURRENT QUARTER 31/01/2009 (RM'000)	(Audited) AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2008 (RM'000)
ASSETS		
Non-current assets		
<i>Property, Plant and Equipment</i>	58,343	21,597
<i>Investment properties</i>	28,495	20,922
<i>Prepaid lease payments</i>	1,725	1,751
<i>Investments</i>	1,064	2,741
<i>Goodwill arising from consolidation</i>	85	85
<i>Trade receivables - non current</i>	1,408	1,373
<i>Deferred tax assets</i>	1,851	1,684
	92,971	50,153
Current Assets		
<i>Inventories</i>	46,171	41,374
<i>Trade and other receivables</i>	31,466	25,893
<i>Short term investment</i>	30,296	13,424
<i>Cash and Cash Equivalents</i>	35,609	73,266
	143,542	153,957
TOTAL ASSETS	236,513	204,110
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
<i>Share capital</i>	84,457	83,088
<i>Treasury Shares</i>	(3,439)	(6,291)
<i>Other reserve</i>	6,078	3,797
<i>Retained earnings</i>	69,477	59,978
	156,573	140,572
Minority Interests	5,968	5,500
Total Equity	162,541	146,072
Non-current Liabilities		
<i>Borrowings</i>	16,526	-
<i>Deferred tax</i>	73	64
	16,599	64
Current Liabilities		
<i>Trade & other payables</i>	37,891	39,352
<i>Short term borrowings</i>	4,213	5,214
<i>Short-term provision</i>	9,656	5,617
<i>Current tax payable</i>	5,613	7,791
	57,373	57,974
Total Liabilities	73,972	58,038
TOTAL EQUITY AND LIABILITIES	236,513	204,110
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.88	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 JANUARY 2009**

	<u>2009</u> 9 month ended 31/Jan/09 (RM '000)	<u>2008</u> 9 month ended 31/Jan/08 (RM '000)
Net Profit before tax	52,582	41,289
Adjustment for non-cash flow :-		
Non-cash items	7,891	4,035
Non-operating items	(698)	(1,309)
Operating profit before changes in working capital	59,775	44,015
Changes in working capital		
<i>Net Change in current assets</i>	(15,863)	(20,635)
<i>Net Change in current liabilities</i>	(1,512)	14,766
<i>Tax paid</i>	(17,891)	(8,173)
	(35,266)	(14,042)
Net cash flows from operating activities	24,509	29,973
Investing Activities		
<i>Other investment</i>	(36,897)	556
<i>Quoted investment</i>	967	(3,243)
Net cash used in investing activities	(35,930)	(2,687)
Financing Activities		
<i>Purchase of Company's own share</i>	(4,115)	(2,376)
<i>Proceeds from issue of shares capital</i>	3,696	1,148
<i>Dividend paid</i>	(20,253)	(7,900)
<i>Interest paid</i>	(947)	(338)
<i>Borrowing</i>	(4,617)	2,380
Net cash used in financing activities	(26,236)	(7,086)
Net Changes in Cash & Cash Equivalents	(37,657)	20,200
Cash & Cash Equivalents at beginning of financial year	73,266	27,672
Cash & Cash Equivalents at end of the financial period	35,609	47,872

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.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JANUARY 2009**

	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	Retained Earnings			
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
9 month ended 31 January 2009										
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	-	-	-	-	-	-	36,480	36,480	661	37,141
Total recognised income and expenses for the year	-	-	-	-	-	-	36,480	36,480	661	37,141
Purchase of Company's own shares	-	(4,115)	-	-	-	-	-	(4,115)	-	(4,115)
Issuance of Share Dividend	-	6,967	-	-	-	-	(6,967)	-	-	-
Ordinary shares issued pursuant to exercise of ESOS	1,369	-	2,327	-	-	-	-	3,696	-	3,696
Reserve realised upon exercise of ESOS	-	-	638	-	-	(638)	-	-	-	-
Transfer of reserve upon expiry	-	-	-	-	-	(47)	47	-	-	-
Dividend of 32%, less tax	-	-	-	-	-	-	(20,060)	(20,060)	(193)	(20,253)
Balance at end of financial period	84,457	(3,439)	4,791	629	657	-	69,478	156,573	5,968	162,541

9 month ended 31 January 2008

Balance as at 1 May 2007	68,814	(2,243)	600	629	670	-	37,195	105,665	5,214	110,879
Net profit for the financial year	-	-	-	-	-	-	29,551	29,551	326	29,877
Total recognised income and expenses for the year	-	-	-	-	-	-	29,551	29,551	326	29,877
Realisation of capital reserve on disposal of a subsidiary company	-	-	-	-	-	(13)	-	(13)	-	(13)
Capitalisation of Bonus issues	13,412	-	-	-	-	-	(13,412)	-	-	-
Ordinary shares issued pursuant to 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)
Balance at end of financial period	82,826	(4,619)	1,148	629	657	-	45,730	126,371	5,244	131,615

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 January 2009 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 November 2008	765,544	2,442,233
Repurchased during the quarter	311,000	996,711
Balance as at 31 January 2009	1,076,544	3,438,944

The repurchase transactions were financed by internally generated funds.

As at 19 March 2009, the treasury shares held were 1,176,944 ordinary shares with total purchase consideration of RM 3,768,699.



- b) Issuance of 282,000 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 761,400.

A7 Dividend paid

- i) Final dividend of 32% gross per ordinary share (2007: 13%), less tax, amounting to RM 20,059,944 in respect of the previous financial year as approved by the shareholders at the Annual General Meeting held on 29 October 2008, was paid on 10 December 2008.
- ii) An interim dividend of 10% gross per ordinary share (2008: 8%), less tax, amounting to RM 6,246,904 in respect of the financial year ending 30 April 2009 was declared on 26 February 2009 and paid on 26 March 2009.

A8 Segment information

Details of segmental analysis for the period ended 31 January 2009 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
REVENUE							
External sales	32,643	236,380	29,752	1,631	1,925	0	302,331
Inter-segment sales	99,127	0	40	2,022	5,152	(106,341)	0
Total revenue	131,770	236,380	29,792	3,653	7,077	(106,341)	302,331
RESULT							
Segment result	10,438	38,176	2,200	524	1,413	(39)	52,712
Unallocated corporate expenses							-
Operating profit							52,712
Interest expense							(947)
Interest income							817
Profit before taxation							52,582
Taxation							(15,441)
Net profit for the period							37,141



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 2009 up to the date of this report.

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:

Further to the announcement made on 16 September 2008, the Company's wholly-owned subsidiary, Hai-O (Hong Kong) Investment Ltd ("Hai-O (HK)") had on 12 November 2008 subscribed 200,000 shares of USD 1.00 each, representing 100% equity interest in Hai-O (Guangzhou) Trading Ltd ("Hai-O (Guangzhou)") for a total cash consideration of USD 200,000. With effect thereof, Hai-O (Guangzhou) is a wholly-owned subsidiary of Hai-O (HK).

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 2009	As at 31 Jan 2009	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

Current quarter compared to the preceding year's corresponding quarter

For the third quarter ended 31 January 2009, the Group recorded marginal higher revenue of RM 102.13 million and profit before taxation of RM 18.56 million as compared to RM 100.48 million and RM 18.46 million respectively for the corresponding period of the preceding quarter.

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

For the three quarters ended 31 January 2009, the Group recorded higher revenue of RM 302.33 million as compared to RM 240.27 million for the corresponding period of the preceding year, an increase of about 26%. The increase in revenue was mainly attributed from higher sales generated by its principal subsidiaries - the retail and MLM divisions.

Correspondingly, the Group achieved an increase in profit after taxation of 24% to RM 37.14 million against last year of RM 29.88 million mainly due to higher revenue achieved, which was after factoring in under provision of taxation in respect of prior years amounting to about RM 885,000. The financial performance of the wholesales division was relatively down compared to last year, revenue and profit had dropped by about 7% and 18% respectively, mainly due to the lower sales order from customers and the weakening of Malaysian Ringgit against the US Dollar which had increased the import purchase costs without passing down to customers. Moreover, higher marketing and advertising costs incurred during the third quarter had also lowered the profit of the wholesales division.

The MLM division achieved an increase in revenue of about 36% and profit before taxation of about 49% as compared to the previous year's corresponding period, mainly attributed to the growing number of aggressive distributor sales force. The retail division emphasized more on its members' sales promotion and house brand products which had strengthened its market position as one of the leader in the healthcare industry, thus boosting its revenue and profit.

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

For the third quarter under review, the Group recorded higher profit before taxation of RM 18.56 million against the immediate preceding quarter of RM 15.34 million. The increase in profit was mainly due to higher revenue and profit generated by the MLM and retail divisions. The MLM division achieved an increase in profit before taxation of about 35% as compared to the immediate preceding quarter. As for the retail division, it had recorded higher revenue during the Chinese Lunar New Year festive season with higher profit margin recorded, contributed mainly by the success of its sales campaign during the month.



B3 Commentary on prospect

Despite global economic downturn and continued weakening in domestic demand, the Group had performed better compared to last year's corresponding period. Rebranding works during the year, targeting into the right segment of consumers and by delivering quality healthcare products had enabled the Group to weather through this tough business operating environment. Moreover, the second economy stimulus packages which were just announced by the Finance Minister aiming to restore consumer and business confidence would help to boost the domestic consumption. The Board is anticipating that the MLM division will continue to contribute favourably to the Group's result due to the aggressive expanding networking of its distributors, and the retail division will contribute further to the performance of the Group by continuously developing house brand products.

Therefore the Board of Directors is of the opinion that the Group will continue to deliver satisfactory results.

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

With reference to the first article appeared in The Star, STARBIZ, Friday, 27 June 2008, page B5 in particular pertaining to the sentence which is reproduced as "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....." and the second article appeared in the New Straits Times, Biz News, Thursday, 30 October 2008, page 38, pertaining to the sentence which is reproduced as "Hai-O Enterprise Bhd, a multi-level marketing (MLM) company and a Chinese herbs retailer, expects revenue to grow five percent this fiscal year, helped mainly by its MLM business....." .

On 27 June 2008, the Company had clarified that the financial year is ending April 30, 2009 instead of March 31, 2009. Secondly, the quoted statements as mentioned above were 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. On 30 October 2008, the Company had further clarified that the targeted revenue was revised downward to 5% growth rate due to the weak market condition and weakening in the purchasing power of consumers.

Despite the above said, the Company had achieved better financial performance with higher growth rate of about 26% and 24% increase in revenue and profit after taxation respectively. The Company will continue to strive for better performance and work towards higher growth rate.

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 2009 (RM '000)	Current year to date 31 January 2009 (RM '000)
Profit before taxation	18,562	52,582
Taxation at applicable tax rate – 25%	4,641	13,146
Adjustment mainly due to certain non-allowable expenses and unutilised tax losses not recognised as deferred tax assets	627	1,410
Under provision in prior years	885	885
Total Taxation expenses	6,153	15,441

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 January 2009 RM '000	Current year to date 31 January 2009 RM '000
Total purchase consideration	89	1,222
Total sale proceeds	814	2,189
Loss on disposal	(295)	(568)

- 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	983
Total investment at book value	980
Total investment at market value at the end of reporting period	1,204



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	2,092
Short Term Borrowings	Malaysia Ringgit	Secured	2,121
Long Term Borrowings	Malaysia Ringgit	Secured	16,526
Total			20,739

B11 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk for the year ended 31 January 2009.

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 :-

- i) 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 the publication of the 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 Wine ("alleged 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 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 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 Wine which been ordered to consolidate with Suit 34 on 5 August 1997.

The Company had made several applications to the Court 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 further fixed the matter for trial on 3 October 2007 and 4 October 2007. On 17 September 2007, the initial trial dates were vacated to enable the matters to be transferred to the newly established Intellectual Property Court. The matter was then postponed to 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 Court later vacated the trial dates and had fixed 6 July 2009, 7 July 2009, 8 July 2009 and 9 July 2009 for trial.

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 alleged Infringing Product.

- ii) On 10 October 2008, Hai-O Raya Bhd ("Hai-O Raya"), a 56.63% owned subsidiary was served with a writ of summons together with Statement of Claim by Syarikat Fu Yong Enterprise, Chong Chen Shieh and Chong Fui Ming ("the Plaintiffs"), to claim for declaration that Franchise Agreement between the parties was terminated, the sum of RM 70,844.33 plus interest, damages and other claims deemed just and suitable by the Court.

Hai-O Raya's solicitor had filed the memorandum of appearance and Statement of Defence on 21 October 2008 and 5 November 2008, respectively, and has further instructed its solicitors to file application to strike out the claims as the Plaintiffs' claims have no basis.

The court had fixed 6 April 2009 as mention date pending disposal of Hai-O Raya striking out application.

B13 Dividend Payable

No interim dividend has been declared for the period under review (31/1/2008: NIL)



B14 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Jan-09	PRECEDING YEAR CORRESPONDING QUARTER 31-Jan-08	CURRENT YEAR TO DATE 31-Jan-09	PRECEDING YEAR CORRESPONDING PERIOD 31-Jan-08
<i>Earnings</i>				
Net profit for the period attributable to equity holders of the parent	11,989	13,391	36,480	29,551
Weighted average number of shares ('000)	81,870	73,740	81,870	73,740
Weighted average number of shares deemed to have been issued for no consideration upon exercise of ESOS ('000)	98	177	98	177
Weighted average number of shares for diluted EPS ('000)	81,968	73,917	81,968	73,917
Basic earnings per share (sen)	14.64	18.16	44.56	40.07
Diluted earnings per share (sen)	14.63	18.12	44.51	39.98