

**NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) NO. 134 – INTERIM FINANCIAL REPORTING**

**1. Basis of preparation**

The interim financial statements have been prepared under the historical cost convention unless specifically stated otherwise, as modified by the revaluation of certain properties.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. 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 year ended 31 December 2005.

**2. Changes in Accounting Policies**

The same accounting policies and methods of computation are followed in the interim financial statements as in the audited annual financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised FRS effective for the financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above new/revised FRSs does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption in the new/revised FRSs are discussed below:

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(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets

The adoption of these new FRSs has resulted in the Group ceased annual goodwill amortisation. Goodwill is now tested for impairment in value in accordance with FRS 136 (Impairment of Assets) annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in income statements and subsequent reversal is not allowed. There is no impairment loss recorded during the period. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life or 20 years, whichever is shorter. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM373,144 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM2,725,450 ceased to be amortised. This has the effect of reducing the amortisation charges by RM8,357 from the quarter ended 31 March 2006.

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net-after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statements, minority interests are presented as an allocation to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

**3. Status of Annual Report 2005**

The auditors' report on the Group's most recent annual audited financial statements for the year ended 31 December 2005 was not qualified.

**4. Seasonal or cyclical factors**

The business operations of the Group were not affected by any seasonal or cyclical factors during the financial period under review.

**5. Unusual item**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

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**6. Changes in estimates**

There were no changes in estimates of amounts reported in prior financial years that have material effect in the current quarter.

**7. Issuance/repayment of debts and equity securities**

- i. During the second quarter ended 30 June 2006, a total of 250,200 shares were bought back from the open market. The cumulative shares bought back are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

The cumulative shares bought-back for the financial period ended 30 June 2006 was 4,931,600.

The details of the treasury shares are as follows:-

Month	Price per share (RM)			Number of shares	Total consideration RM
	Lowest	Highest	Average		
Balance as at 1 Jan 2006				3,931,600	4,171,684
<b>Shares bought back</b>					
29 Mar 2006	0.745	0.785	0.776	286,700	222,515
30 Mar 2006	0.760	0.815	0.804	455,100	365,746
31 Mar 2006	0.770	0.790	0.787	8,000	6,297
6 Apr 2006	0.775	0.785	0.789	7,200	5,678
13 Apr 2006	0.755	0.810	0.804	243,000	195,402
Total				4,931,600	4,967,322

As at 30 June 2006, the number of outstanding shares issued and fully paid with voting rights was 83,088,400 ordinary shares of RM0.50 each.

**8. Dividends paid**

There were no dividends paid for the current quarter under review.

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**9. Segmental reporting**

	Engineering of industrial refrigeration RM'000	Ice manufacturing RM'000	Temperature- controlled logistics/ warehousing RM'000	Others RM'000	Total RM'000	Elimination RM'000	Consolidated amount RM'000
REVENUE							
-External	8,659	5,537	27,088	-	41,284		41,284
-Internal segment only	-	170	2,283	606	3,059	(3,059)	-
Total revenue	<u>8,659</u>	<u>5,707</u>	<u>29,371</u>	<u>606</u>	<u>44,343</u>	<u>(3,059)</u>	<u>41,284</u>
RESULT							
Segments Result	1,598	118	4,037	2,043	7,796	(1,346)	6,450
Interest income	35	-	70	68	173	-	173
Unallocated corporate expenses							<u>(1,156)</u>
Operating profit							5,467
Finance costs							<u>(3,645)</u>
Profit before tax							1,822
Taxation							<u>(533)</u>
Profit after tax							1,289
Minority interest							<u>(374)</u>
Net profit for the financial year							<u>915</u>

**10. Valuations of Property, Plant and Equipment**

The valuations of land and buildings have been brought forward, without amendment from the most recent annual audited financial statements for the year ended 31 December 2005. The carrying value is based on a valuation carried out in year 2000 by independent qualified valuers less depreciation.

**11. Material events subsequent to end of the interim period**

There are no material events since the end of the financial period ended 30 June 2006 up to the date of this announcement.

**12. Effects of changes in the composition of the company during the interim period.**

There were no significant changes in the composition of the Group for the quarter ended 30 June 2006.

**13. Capital Commitments**

As at the date of this report, the Group did not have any capital commitments.

**14. Contingent liabilities and contingent assets**

The Company provided corporate guarantee amounting to RM24,866,541 in favour of financial institutions for credit facilities granted to subsidiaries (As at 31 December 2005 : RM20,265,764)

**NOTES TO BURSA MALAYSIA SECURITIES BERHAD REVISED LISTING REQUIREMENTS**

**15. Performance review**

The performance of the Haisan Group in the second quarter was more encouraging as the Group managed to secure projects that provided larger margins in terms of profitability for the various Divisions concerned. On the back of these higher margin projects the Group was able to turn in a higher turnover of RM19.6m compared to RM13.1m in the corresponding period in the preceding year. The Group's profit after tax before minority interest improved to RM955k in the current period from RM753k in the corresponding period from the preceding year.

The Group's cumulative performance in the first 6 months of the financial year has improved with turnover increasing by 36.86% from RM30.1m in the first six months of the preceding year to RM41.2m in the current year. Whilst profitability has declined from RM2.4m in the first six months of the previous year to RM1.3m in the current year. The decline in the profitability was due mainly to the increase in the finance cost by 45.86% from RM2.5m in the first six months of previous year to RM3.6m in the current year.

The MTCF and engineering Divisions continues to spearhead the Groups operational performance.

**16. Material change in quarterly results**

In comparison with the preceding quarter, the Group's revenue reduced by 9.17% from RM21.6m in the previous quarter to RM19.6m in the current quarter. However profitability in the current second quarter was better as a result of the contribution from the higher margin projects that were obtained in the quarter. Profitability improved by RM620k or 185.07% from RM335k to RM955k in the current period. Operating expenses in the current quarter has decreased by 16.37% from RM20.1m in the previous quarter to RM16.8m in the current quarter.

**17. Future prospects**

The core businesses of the Group continue to face increasing challenges in their respective industries. Moving forward the Group intends to reposition itself in some of the markets of the Group's businesses in order to recapture and develop new market shares for the Group. The Management will continue to focus its attempts to develop its cores businesses regionally to tap new and expanding markets for its core businesses.

**18. Profit forecast**

Not applicable in this Quarterly Report.

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**19. Taxation**

	Current quarter RM'000	Financial period to-date RM'000
<b>Malaysian tax</b>		
Current taxation	611	798
Deferred taxation	(112)	(265)
	<u>499</u>	<u>533</u>

The effective tax rate for the financial period to-date was marginally lower than the statutory tax rate mainly attributable to utilisation of tax allowances available for certain subsidiary companies.

**20. Profits on sale of unquoted investments and/or properties**

There were no profits on sale of unquoted investments and/or properties for this reporting quarter and financial period to-date.

**21. Quoted Investments**

As at 30 June 2006, the Group did not hold any quoted securities, nor were there any purchase or disposal of quoted securities during the reporting quarter and financial period to-date.

**22. Status of Corporate Proposal**

- a. On 18 January 2006 Iglo International Limited, ("Iglo International or Purchaser"), a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement ("SPA") with Shanghai Pities North Industrial Zone Investment & Development Co. Ltd ("SID or Vendor.") for the acquisition of a parcel of 50-year leasehold vacant industrial land measuring approximately 55 Mu, (equivalent to 36,667 square metre) situated in Shanghai Minhang area pities north industrial district 7 land parcels ("Land"). The cash consideration for the Land is Chinese Renminbi ("RMB") 21,000,000 equivalent to approximately RM9,870,000 based on exchange rate of RM0.47:RMB1.00.
- b. On 19th January, 2006, the Company has written to the Securities Commission for the withdrawal of the Proposed Rights Issue with Warrants pending the finalisation of certain financial information.
- c. On 24 March 2006, Public Merchant Bank Berhad ("PMBB"), on behalf of HRB announced that the Company proposed the Proposed Exemption to Able Capital Ventures Sdn Bhd ("ACVSB") from the obligation to extend a mandatory take-over offer for the remaining HRB Shares not already owned by ACVSB and Parties Acting in Concert with ACVSB arising from the Share Buy-Back exercise undertaken by HRB pursuant to Prattice Note 2.9.10 of the Malayisan Code on Take-overs and Merges, 1998

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- d. On 29 March 2006, the company entered into a Sale & Purchase Agreement with Biztrak R&D Sdn Bhd. For the acquisition of the Warehouse Management System (WMS) Source Codes and all the rights to the WMS software, for a total purchase consideration of RM2,000,000 to be satisfied in cash.

**23. Group Borrowings And Debt Securities**

Total Group borrowings as at 30 June 2006 was as follows:

	Short term RM'000	Long term RM'000	Total RM'000
<b>Secured</b>			
<b>Denominated in RM</b>			
Term loan	458	5,853	6,311
Revolving credits	501	-	501
Bankers acceptance	840	-	840
Bonds	-	29,227	29,227
Bank overdraft	9,482	-	9,482
Hire purchase & lease payables	1,657	3,506	5,163
	<u>12,938</u>	<u>38,586</u>	<u>51,524</u>
<b>Unsecured</b>			
<b>Denominated in RM</b>			
Revolving credits	5,022	-	5,022
Term loan	-	40,000	40,000
	<u>5,022</u>	<u>40,000</u>	<u>45,022</u>
<b>Secured</b>			
<b>Denominated in foreign currency (*)</b>			
Term loan			
Chinese Renminbi 9,000,000	-	4,140	4,140
Philippine Peso 20,000,000	1,480	-	1,480
Philippine Peso 50,000,000	-	3,700	3,700
Philippine Peso 34,171,000	2,529	-	2,529
	<u>4,009</u>	<u>7,840</u>	<u>11,849</u>
Revolving credits			
Chinese Renminbi 6,000,000	2,760	-	2,760
US Dollar 1,500,000	5,573	-	5,573
	<u>8,333</u>	<u>-</u>	<u>8,333</u>
<b>Total</b>	<u><b>30,302</b></u>	<u><b>86,426</b></u>	<u><b>116,728</b></u>

\* translated using exchange rate as at 30 June 2006

**Notes to Second Quarter Report**  
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**24. Off Balance Sheet Risks**

There were no financial instruments with off balance sheet risk as at the date of issue of this report.

**25. Material Litigation**

Mayekawa Mfg Co Ltd and Mayekawa (M) Sdn Bhd, the Plaintiffs had on 1 August 2005 served a Writ of Summons dated 27 June 2005 on the Company, Hai San & Sons Sdn Bhd and Beh Teng Hong, the Defendants claiming infringement of trademark "MYCOM" and passing off by the Defendants and requesting, inter alia for a mandatory injunction against the Defendants from dealing in MYCOM products. The First and Second Defendants had on 9 August 2005 and on 29 August 2005 filed the memorandum of appearance and Defence respectively.

The Plaintiffs had also on 3 August 2005 filed a Summons in Chambers at the High Court at Kuala Lumpur seeking, inter alia, an interlocutory injunction against the Defendants. Pending the hearing and decision of the said Summons in Chambers, the High Court granted an ad hoc interim injunction effective from 9 September 2005. The High Court dismissed the said Summons in Chambers on 14 December 2005.

The Plaintiffs thereafter on 16 December 2005 filed a Notice of Appeal to the Court of Appeal against the High Court's decision to dismiss the said Summons in Chambers. A hearing date has yet to be fixed by the Court of Appeal.

Upon filing the Notice of Appeal, the Plaintiffs on 19 December 2005 filed a Summons in Chambers at the High Court at Kuala Lumpur seeking, inter alia, an interim injunction against the Defendants pending the outcome of the Notice of Appeal ("*Erinford* Injunction"). This application was also dismissed by the High Court on 7 February 2006.

The Plaintiffs on 13 February 2006 filed an Originating Motion at the Court of Appeal seeking, inter alia, an extension of time to file the Record of Appeal. A hearing date has yet to be fixed for the said Originating Motion.

The Plaintiffs subsequently on 15 February 2006 upon the dismissal of the application for *Erinford* Injunction by the High Court filed an Originating Motion at the Court of Appeal, seeking the same application for *Erinford* Injunction. The Court of Appeal allowed the *Erinford* Injunction on 20 March 2006.

The First and Second Defendants have on 19 April 2006 filed an Originating Motion at the Federal Court for leave to appeal against the decision of the Court of Appeal granting the *Erinford* Injunction. A hearing date for the application has yet to be fixed by the Federal Court.

As the action by the Plaintiffs is for an injunction, the Company is unable to quantify the amount of claim at this point in time. Hence, there is no financial impact at this moment except for the legal cost to defend the suit.



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**26. Earnings per share**

	Individual quarter		Cumulative period	
	3 months ended	3 months ended	Year ended	Year ended
	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05
<b>Net profit for the period (RM'000)</b>	650	522	915	2,073
a) <u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	83,088	84,064	83,588	84,803
<b>Basic earnings per share (sen)</b>	<u>0.78</u>	<u>0.62</u>	<u>1.09</u>	<u>2.44</u>
b) <u>Diluted</u>				
Weighted average number of ordinary shares in issue ('000)	83,088	84,064	83,588	84,803
Effect of share options ('000)	(692)	234	(141)	409
Weighted average number of ordinary shares ('000)	<u>82,396</u>	<u>84,298</u>	<u>83,447</u>	<u>85,212</u>
<b>Diluted earnings per share (sen)</b>	<u>0.79</u>	<u>0.62</u>	<u>1.10</u>	<u>2.43</u>

**27. Dividend**

The Board of Directors do not recommend any interim dividend to be paid for the financial period ended 30 June 2006 (2005: Nil).

**28. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26<sup>th</sup> August 2006.