

Notes to Fourth Quarter Report
For The Financial Period Ended 31 December 2006

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 RM165,186 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM3,007,213 ceased to be amortised. This has the effect of reducing the amortisation charges by RM39,655 per quarter 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 total profit or loss for the period. 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 to 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

The revised FRS 116: Property, Plant and Equipment require the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the residual values of cold room, warehouses, machineries and motor vehicles and their estimated useful life with effect from 1 January 2006. The revision were accounted for a change in accounting estimates and as a result, the depreciation charges for the current quarter ended 31 December 2006 and current year to date have decreased by RM0.59m and RM2.3m respectively.

7. Issuance/repayment of debts and equity securities

During the fourth quarter ended 31 December 2006, a total of 938,300 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 31 December 2006 was 3,672,500.

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 30 September 2006				6,665,800	6,301,987
Shares bought back					
30 Oct 2006	0.780	0.790	0.791	215,000	170,058
31 Oct 2006	0.770	0.800	0.804	86,600	69,636
14 Nov 2006	0.700	0.750	0.745	32,500	24,203
24 Nov 2006	0.690	0.700	0.693	604,200	418,576
Total				7,604,100	6,984,460

As at 31 December 2006, the number of outstanding shares issued and fully paid with voting rights was 80,415,900 ordinary shares of RM0.50 each.

8. Dividends paid

There were no dividends paid for the current quarter under review and for the financial period to-date.

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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	14,409	11,095	41,517	1,670	68,691		68,691
-Internal segment only	4,190	490	5,321	6,337	16,338	(16,338)	-
Total revenue	18,599	11,585	46,838	8,007	85,029	(16,338)	68,691
RESULT							
Segments Result	2,928	647	9,038	9,286	21,899	(8,032)	13,867
Interest income	54	45	117	215	431	-	431
Unallocated corporate expenses							(2,198)
Operating profit							12,100
Finance costs							(7,759)
Profit before tax							4,341
Taxation							(1,401)
Profit after tax							2,940

10. Valuations of Property, Plant and Equipment

The valuations of land and buildings have been updated during the current financial year. The carrying value is based on a valuation carried out in year ranging from 2000 to 2006 by independent qualified values 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 31 December 2006 up to the date of this announcement, other than as disclosed in Note 22(c).

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 31 December 2006.

13. Capital Commitments

As at the date of this report, the Group has entered into three capital commitments in year 2006:

- a. On 18 January 2006, the company's subsidiary, Iglo International Limited ("IIL") had entered into a Sale and Purchase Agreement with Shanghai City North Industrial Zone Investment & Development Co. Ltd., China for the acquisition of a 50-year leasehold vacant industrial land measuring approximately 36,667 square metre known as parcel number 7 and situated in Shanghai City Minhang Area North Industrial District, China for cash consideration of RMB21,000,000 (approximately RM9,870,000 based on exchange rate of RM0.47:RMB1.00);

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- b. On 25 September 2006, the company's subsidiary, IIL had entered into a Land Lease Contract ("Contract") with T&D Co. Ltd for the Proposed Acquisition of the land use right of a piece of land measuring approximately 90,000 square meters within Viet Hoa Industrial Park, Vietnam for a total cash consideration of USD3,600,000/RM13,275,000; and
- c. On 20 January 2007, the company's subsidiary, IIL had entered into a Cooperation Agreement ("Agreement") with Beijing Golden Bridge Technical Industry Base Development Co. Ltd ("BGB") for the Proposed Acquisition of a piece of land measuring approximately 43,444 square meters in total located in central position of Beijing Golden Bridge Technical Industry Base: adjacent to Beijing Shaped Steel Welding Net Technical Development Co., Ltd. in north, No.1 East Huanke Road in east, No.2 South Jingsheng Street in south, and Beijing Fox Garments Co., Ltd. in west; land piece is numbered as B4-1-5 ("Land") for a total cash consideration of RMB18,358,560 equivalent to approximately RM8,262,000.

14. Contingent liabilities and contingent assets

The Company provided corporate guarantee amounting to RM31,933,110 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 Haisan Group in the current fourth quarter has improved slightly compared to the preceding year corresponding fourth quarter in 2005. The group's profit after tax before minority interest (PATBMI) in the current fourth quarter was RM650k compared to RM592k in the preceding year corresponding quarter which is an increase in PATBMI of 9.8%. The combined effect of the decrease in the operating expenses of the current fourth quarter compared to the preceding year corresponding fourth quarter by 54.42% from RM15.66m to RM7.14m and the decrease in the finance cost of the current fourth quarter compared to the preceding year corresponding fourth quarter by 11.98% from RM2.41m to RM2.12m attributed to the increased in net profit.

The current fourth quarter's group performance in comparison to the immediate previous third quarter results have decreased from PATBMI of RM1.0m to PATBMI of RM650k. This was despite the reduction of operating expenses in the current fourth quarter. The turnover recorded in the current fourth quarter of RM9.24m compared to the immediate previous quarter's turnover of RM18.16m indicated a reduction in turnover of 49.14%. The reduction in turnover was mainly due to the reclassification of a revenue amount of RM5.03m and its related cost of sale of RM4.77m that was reported in the current quarter as other operating income on a net basis.

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The Group's cumulative performance for the current financial year has deteriorated slightly. The Group's turnover, after the reclassification, reported an increment of 0.67% from RM68.24m in the preceding financial year to RM68.69m in the current year. However, profitability (PATBMI) has declined by 23.64% from RM3.85m in the previous financial year to RM2.94m in the current financial year despite the reduction in the operating expenses by 2.23%. The increase in finance cost of 26.55% in the current financial year was also one of the causes for the lower profitability recorded by the Group.

16. Material change in quarterly results

In comparison with the immediate preceding quarter, the Group's turnover reduced by 46.12% from RM17.15m in the previous quarter to RM9.24m in the current quarter. The profitability in the current fourth quarter also declined despite reduction in operating expenses by 54.42% from RM15.66m in the previous quarter to RM7.14m in the current quarter. Both the lower turnover and operating expenses were mainly as a result of a reclassification of a revenue amount of RM5.03m and its related cost of sale of RM4.77m that was reported in the current quarter as other operating income on a net basis.

The net asset per share of the Group improved from RM0.78 per share in the preceding financial year to RM0.91 per share in the current year due to the recent revaluation exercise on the assets of the Group.

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 existing 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 also develop its core businesses regionally to tap new and expanding markets for its core businesses.

18. Profit forecast

Not applicable in this Quarterly Report.

19. Taxation

	Current quarter RM'000	Financial period to-date RM'000
Malaysian tax		
Current taxation	163	1,169
Deferred taxation	122	232
	<u>285</u>	<u>1,401</u>

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The effective tax rate for the current quarter and the financial period to-date is higher than the statutory tax rate mainly attributable to certain non tax deductible expenses in 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 31 December 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 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.
- b. On 1 September 2006, Public Merchant Bank Berhad ("PMBB") on behalf of HRB announced that the Company proposed to revise the Proposed Original Rights Issue with Warrants by undertaking a revised renounceable rights issue of up to 50,600,000 new ordinary shares of RM0.50 each in HRB with up to 50,600,000 free detachable warrants, on the basis of one (1) Rights Share with one (1) Warrant for every two (2) ordinary shares of RM0.50 each in HRB held on a date to be determined later. The Proposed Revised Rights Issue with Warrants shall be implemented together with the Proposed ESOS Bye-laws Amendments, Proposed Amendment to the Articles and Proposed Exemption under PN2.9.1.
- c. On 12 February 2007, the company entered into a conditional Share Sale Agreement with Ong Chin Yet, Ong Chin Cheong, Kamarudin Bin Md Derom and Goh Cheng Kum (collectively, the "Vendors") to acquire 50% equity interest of Malaysian Mega Galvaniser Sdn Bhd (MMGSB) comprising 750,000 ordinary shares of RM1.00 each in MMGSB for a total cash consideration of RM13,500,000.

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23. Group Borrowings And Debt Securities

Total Group borrowings as at 31 December 2006 was as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Denominated in RM			
Term loan	427	5,689	6,116
Revolving credits	501	-	501
Bankers acceptance	2,197	-	2,197
Bonds	-	29,314	29,314
Bank overdraft	27,361	-	27,361
Hire purchase & lease payables	2,163	3,817	5,980
	<u>32,649</u>	<u>38,820</u>	<u>71,469</u>
Unsecured			
Denominated in RM			
Revolving credits	5,020	-	5,020
Term loan	-	40,000	40,000
	<u>5,020</u>	<u>40,000</u>	<u>45,020</u>
Secured			
Denominated in foreign currency (*)			
Term loan			
Chinese Renminbi 9,000,000	-	4,140	4,140
Philippine Peso 20,000,000	1,480	-	1,480
Philippine Peso 40,000,000	-	2,960	2,960
	<u>1,480</u>	<u>7,100</u>	<u>8,580</u>
Revolving credits			
Chinese Renminbi 7,500,000	3,450	-	3,450
US Dollar 1,500,000	5,347	-	5,347
	<u>8,797</u>	<u>-</u>	<u>8,797</u>
Total	<u>47,946</u>	<u>85,920</u>	<u>133,866</u>

** translated using exchange rate as at 31 December 2006*

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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 (“HSSSB”) 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 29 August 2005 filed the memorandum of appearance and Defence respectively.

The High Court at Kuala Lumpur (“High Court”) dismissed the Plaintiffs’ application for an interlocutory injunction against the Defendants 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.

The Plaintiffs had 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. The Court of Appeal has not fixed a hearing date for the 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 had 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. The Federal Court conducted a case management before the Registrar on 9 November 2006 and fixed a hearing date for the Originating Motion on 26 March 2007.

The solicitors of the Company and HSSSB are of the view that the Company and HSSSB have a reasonable defence. The solicitors are also of the view that there appears to be an error of law in the Court of Appeal’s decision to grant the *Erinford* Injunction pending the outcome of the Notice of Appeal.

Meanwhile, the High Court at Kuala Lumpur has fixed the case for case management on 27 April 2007.

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 3 months ended		Cumulative period	
	31-Dec-06	31-Dec-05 (Restated)	Year ended 31-Dec-06	Year ended 31-Dec-05 (Restated)
Net profit/(loss) for the period (RM'000)	(1)	200	1,606	2,944
a) <u>Basic</u> Weighted average number of ordinary shares in issue ('000)	80,628	84,088	82,514	80,683
Basic earnings per share (sen)	-	0.24	1.95	3.65
b) <u>Diluted</u> Weighted average number of ordinary shares in issue ('000)	80,628	84,088	82,514	80,683
Effect of share options ('000) Weighted average number of ordinary shares ('000)	(1,110)	574	(352)	716
Diluted earnings per share (sen)	**	0.24	**	3.62

** No diluted EPS is disclosed as the effect is anti-dilutive

27. Dividend

The Board of Directors does not recommend any interim dividend to be paid for the financial period ended 31 December 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 February 2007.