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 2006. 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 2006.

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 2006 except for the adoption of the following new/revised FRS effective for the financial period beginning 1 January 2007:

FRS 117	Leases
Amendment to FRS 119_{2004}	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124	Related Party Disclosures

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 revised FRS 117 is discussed below:

a. FRS 117: Leases

Prior to the adoption of the revised FRS 117, leasehold land was classified as property, plant and equipment and was stated at cost or valuation less accumulated depreciation and impairment losses. The adoption of FRS 117 has resulted in a change in the accounting policy relating to the classification of leasehold land which is now classified as an operating lease. With the adoption of the revised FRS 117, the unamortized carrying amounts of leasehold land are now classified as prepaid lease payments and amortised over the period of its remaining lease term. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and the comparatives in the balance sheet have been restated as shown below:

	As previously reported (RM'000)	Effects on adoption of FRS 117 (RM'000)	As restated (RM'000)
Group			
As at 1 January 2007			
Property, plant and equipment	174,935	(35,608)	139,327
Prepaid lease payments	-	35,608	35,608

3. Status of Annual Report 2006
The auditors' report on the Group's most recent annual audited financial statements for the year ended 31 December 2006 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.

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
During the first quarter ended 31 March 2007, there were no shares bought back or resold to the open market.

The cumulative shares bought-back for the financial period ended 31 March 2007 was 7,604,100 are held as treasury shares in accordance with Section 67A of the Companies Act, 1965. As at 31 March 2007, 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.

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	14,255	2,584	9,809	-	26,648		26,648
-Internal segment only	174	93	1,698	346	2,311	(2,311)	-
Total revenue	14,429	2,677	11,507	346	28,959	(2,311)	26,648
RESULT							
Segments Result	4,583	(48)	1,840	1,105	7,480	(614)	6,866
Interest income	9	-	90	-	99	-	99
Unallocated corporate expenses							(417)
Operating profit							6,548
Finance costs							(2,329)
Profit before tax							4,219
Taxation							64
Profit after tax							4,283

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 2006. 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 March 2007 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 March 2007.

13. Capital Commitments

As at the date of this report, the Group has entered into a commitment in year 2007:

a. 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 RM46,269,200 in favour of financial institutions for credit facilities granted to subsidiaries (As at 31 December 2006: RM31,933,110)

NOTES TO BURSA MALAYSIA SECURITIES BERHAD REVISED LISTING REQUIREMENTS

15. Performance review

The performance of Haisan Group in the current first quarter has improved significantly compared to the preceding year corresponding first quarter in 2006. The group's profit after tax before minority interest (PATBMI) in the current first quarter was RM4.28m compared to RM336k in the preceding year corresponding quarter which is an increase in PATBMI of 1175%. The increase in both revenue and other operating income of the current first quarter compared to the preceding year corresponding first quarter by 23.2% and 75.8% respectively attributed to the increased in net profit. The revenue has improved from RM21.63m to RM26.65m whilst the other operating income has increased from RM501k to RM881k.

The current first quarter's group performance in comparison to the immediate previous fourth quarter results have also increased by 559% from PATBMI of RM650k to PATBMI of RM4.28m. The turnover recorded in the current first quarter of RM26.65m compared to the immediate previous quarter's turnover of RM9.24m indicated a significant increment in turnover of 188%. The growth in turnover was mainly due to the increase in sale from the engineering division. The high contribution margins from these sales enhance the Group's bottom line.

16. Material change in quarterly results

In comparison with the immediate preceding quarter, the Group's turnover increased by 188% from RM9.24m in the previous quarter to RM26.65m in the current quarter. The PATBMI in the current first quarter has also improved by 559% from RM650k in the immediate previous fourth quarter to RM4.28m in the current first quarter. The drastic boost in profitability was mainly due to the increase in revenue. The higher profitability is due to increase in turnover and lower depreciation cost due to change in accounting treatment as per the last financial year. This enhanced the profit margins for the Group's core businesses.

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.

The completion of construction of the various new Temperature-Controlled Logistics centers in Shanghai, China and Ho Chi Minh City, Vietnam by the end of this year will provide new recurring revenue streams contributing to the Group bottom line.

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	220	220
Deferred taxation	(284)	(284)
	(64)	(64)

The effective tax rate for the current quarter and the financial period to-date is lower than the statutory tax rate mainly attributable to utilization 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 31 March 2007, 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 4 May 2007, the company had announced that the company intends to embark on a proposed asset securitisation exercise involving the issuance of up to RM200.0 million Asset Backed Sukuk Al-Ijarah by a special purpose vehicle ("Proposal"). The Proposal entails the selling of the beneficial rights and interest in relation to certain identified land and buildings of HRB and its subsidiaries, to a special purpose vehicle ("SPV") based on their fair market values to be determined later on a willing buyer willing seller basis. The SPV shall then through an Ijarah agreement, lease the Real Estate Assets back to the HRB Group for an agreed lease period ranging from one (1) to seven (7) years.

23. Group Borrowings And Debt Securities

Total Group borrowings as at 31 March 2007 was as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Denominated in RM			
Term loan	427	10,743	11,170
Revolving credits	509	-	509
Bankers acceptance	1,918	-	1,918
Bonds	-	29,358	29,358
Bank overdraft	38,988	-	38,988
Hire purchase & lease payables	2,260	3,388	5,648
	44,102	43,489	87,591
Unsecured			
Denominated in RM			
Revolving credits	5,020	-	5,020
Term loan	-	40,000	40,000
	5,020	40,000	45,020
Secured			
Denominated in foreign currency (*)			
Term loan			
Chinese Renminbi 8,960,000	-	4,122	4,122
Chinese Renminbi 20,000,000	-	9,200	9,200
Philippine Peso 15,000,000	1,110	-	1,110
Philippine Peso 40,000,000	-	2,959	2,959
	1,110	16,281	17,391
Revolving credits			
Chinese Renminbi 7,700,000	3,542	-	3,542
US Dollar 1,500,000	5,319	-	5,319
	8,861	-	8,861
Total	**59,093**	**99,770**	**158,863**

** translated using exchange rate as at 31 March 2007*

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. Both parties have requested for an adjournment of 3 months to facilitate discussions whether the matter could be resolved amicably.

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 22 May 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.

Pursuant to the above, the directors of HRB are of the view that HSSSB have a reasonable defence.

26. Earnings per share

	Individual quarter 3 months ended		Cumulative period	
			Year ended	Year ended
	31-Mar-07	31-Mar-06	31-Mar-07	31-Mar-06
Net profit for the period (RM'000)	3,906	266	3,906	266
a) Basic				
Weighted average number of ordinary shares in issue ('000)	80,416	83,838	80,416	83,838
Basic earnings per share (sen)	4.86	0.32	4.86	0.32
b) Diluted				
Weighted average number of ordinary shares in issue ('000)	80,416	83,838	80,416	83,838
Effect of share options ('000)	(1,092)	136	(1,092)	136
Weighted average number of ordinary shares ('000)	79,324	83,974	79,324	83,974
Diluted earnings per share (sen)	**	0.32	**	0.32

27. Dividend

Subject to the approval by the shareholders in the forthcoming annual general meeting, the Board of Directors has proposed a first and final dividend of 2.5% (less 27% income tax) in respect of the financial year ended 31 December 2006. This has not been accounted for in the financial results and position of the Group and the Company as at 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 30 May 2007.