

Notes to Fourth Quarter Report
For The Financial Period Ended 31 December 2007

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 year 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 principal effects of the changes in accounting policies resulting from the adoption of the revised FRS 117 is discussed below:

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 amount of leasehold lands are now classified as prepaid lease payments and amortised over the period of their 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:

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	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 significantly 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 to date.

6. Changes in estimates

There were no changes in estimates of amounts reported in prior interim periods of current financial year or in prior financial years that have a material effect in the current quarter and financial year ended 31 December 2007.

7. Issuance/repayment of debts and equity securities

There were no issuance, cancellation, repurchase, resale or repayment of debts and equity securities in the current interim period and financial year to date except for the issuance of 6,000 ordinary share of RM0.50 each during the current quarter and 125,000 shares for the financial year to date at RM0.85 per ordinary share pursuant to the Employees' Share Option Scheme.

The cumulative shares bought back since the previous financial years and up to the current quarter ended 31 December 2007 was 7,604,100 shares held as treasury shares in accordance with Section 67A of the Companies Act, 1965. As at 31 December 2007, the number of outstanding shares issued and fully paid with voting rights was 80,540,900 ordinary shares of RM0.50 each.

8. Dividends paid

The Company paid a first and final dividend of 2.5% (less 27% taxation) in respect of the financial year ended 31 December 2006 amounting to RM733,819.83 on 19 July 2007.

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9. Segmental reporting

	Engineering	Ice Manufacturing	Temperature- controlled logistics/wareho using	Others	Total	Elimination	Consolidated Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE							
-External	78,138	10,426	33,889	-	122,453		122,453
-Internal segment only	18,707	447	5,797	9,399	34,350	(34,350)	-
Total revenue	<u>96,845</u>	<u>10,873</u>	<u>39,686</u>	<u>9,399</u>	<u>156,803</u>	<u>(34,350)</u>	<u>122,453</u>
RESULT							
Segments Result	18,110	(287)	3,248	8,946	30,017	(11,759)	18,258
Interest income	70	1	-	2,360	2,431		2,431
Unallocated corporate expenses							<u>(2,033)</u>
Operating profit							18,656
Finance costs							<u>(10,374)</u>
Profit before tax							8,282
Taxation							<u>(1,066)</u>
Profit after tax							<u>7,216</u>

10. Valuations of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment from the annual audited financial statements for the year ended 31 December 2006. The carrying value is based on valuations carried out in years 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 year ended 31 December 2007 up to the date of this announcement, other than as disclosed in Note 22(f).

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 current quarter ended 31 December 2007.

13. Capital Commitments

Capital commitment for the Group in respect of property, plant and equipment as well as prepaid lease payment not provided for as of 31 December 2007 are as stated below:

	RM'000
Approved and contracted for	<u>11,636</u>

14. Contingent liabilities and contingent assets

The Company provided corporate guarantee amounting to RM83,850,549 (as at 31 December 2006: RM31,933,110) in favour of financial institutions for credit facilities granted to subsidiaries.

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NOTES TO BURSA MALAYSIA SECURITIES BERHAD REVISED LISTING REQUIREMENTS

15. Performance review

The Group recorded total revenue of RM23.58m for the current fourth quarter, a significant increase of RM14.36m or 156% over the corresponding quarter of the preceding year mainly due to project revenue contributed by the new subsidiary acquired during the financial year.

However, start-up expenses of overseas cold room operation as well as high raw material cost have resulted in the Group recording a loss after tax before minority interest of RM6.59m for the current quarter, as compared to the Profit after tax before MI (PATBMI) of RM0.9 million during previous year's corresponding quarter. The start-up expenses were incurred in respect of the Group's newly completed cold room facility in Shanghai, one of the biggest and most advanced facilities of such nature in China.

The overall performance of the Group for the 12 months ended 31 December 2007 showed a commendable improvement compared with that of the previous financial year. The Group achieved a consolidate revenue of RM122.45m, up 78% as compared to financial year 2006's RM68.7m, mainly attributed to the revenue generated from the galvanising, refrigeration and engineering projects undertaken during the year.

In tandem with the increase in revenue, the PATBMI for the 12 months ended 31 December 2007 showed a significant increase of 125% over the previous year from RM3.20 m in 2006 to RM7.21m in 2007.

16. Material change in quarterly results

In comparison with the immediate preceding quarter, the Group's revenue decreased 16.5% from RM28.23m in the third quarter to RM23.58m in the current quarter. The PATBMI declined from a profit of RM3.48m in the previous third quarter to a loss of RM6.59m in the current quarter. The decline in PATBMI was mainly due to lower revenue income recorded in the fourth quarter as compared to the preceding quarter, higher raw material cost and write off of start-up expenses as mentioned above.

17. Future prospects

The Group expects favourable growth prospect from its engineering and galvanising operations to continue to contribute to the Group's performance .

The Group's multiple temperature controlled warehousing, transportation and ice manufacturing operations in the local markets are also expected to contribute positively to the Group revenue albeit the operating environment will remain competitive as well as the possibility of further rising in fuel and energy cost. The Group's new facility in China are expected to contribute to the Company's turnover in the coming year in view of strong demand for such facility in China.

The management is optimistic about the market outlooks and will continue to explore new business opportunities, leverage on the Group's core expertise to create further synergistic effects to further strengthen its income stream.

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
Malaysian tax		
Current taxation	(1,824)	748
Deferred taxation	587	318
	<u>(1,237)</u>	<u>1,066</u>

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 for certain subsidiaries.

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 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 -year to date.

22. Status of Corporate Proposal

- a. On 19 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.
- d. On 28 September 2007, the company's wholly-owned subsidiaries, Hai San & Sons Sdn Bhd and Hai San Holdings Sdn Bhd entered into 3 Sale and Purchase Agreements

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with Jenstud Marketing Sdn Bhd and C Y Lin Realty Sdn Bhd for the proposed acquisition of 4 pieces of industrial lands approximately 6,313.66 square meters in total and are located in Mukim Klang, Daerah Klang, Negeri Selangor for a total purchase consideration of RM6,800,000.

- e. On 1 October 2007, the company entered into a Sale & Purchase Agreement for shares for the disposal of 153,000 ordinary shares of RM1.00 each, representing fifty one percent (51%) of the equity interest in HSA Industries Sdn Bhd to Encik Noor Azman Bin Nordin for a total cash consideration of RM40,000.

- f. On 26 January 2008, the company's wholly-owned subsidiary, Iglo Cold Chain Logistics Sdn. Bhd. ("the Purchaser") entered into a Share Sale Agreement with Prestige Frozen Sdn. Bhd. to acquire 245,000 ordinary shares of RM1.00 each being forty nine percent (49%) equity interest in IGC Logistics Sdn. Bhd. ("IGC") for a total cash consideration of RM664,852.09. The Purchaser presently holds 51% interest in IGC. The Acquisition will result in IGC becoming a wholly-owned subsidiary of the Purchaser.

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23. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2007 were as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Denominated in RM			
Term loan	1,074	17,215	18,289
Revolving credits	501	-	501
Bankers acceptance	9,385	-	9,385
Bonds	-	29,496	29,496
Bank overdraft	42,355	-	42,355
Hire purchase & lease payables	2,205	2,786	4,991
	<u>55,520</u>	<u>49,496</u>	<u>105,016</u>
Unsecured			
Denominated in RM			
Revolving credits	5,023	-	5,023
Term loan	-	40,000	40,000
	<u>5,023</u>	<u>40,000</u>	<u>45,023</u>
Secured			
Denominated in foreign currency (*)			
Term loan			
Chinese Renminbi 8,276,000	-	3,807	3,807
Chinese Renminbi 20,000,000		26,971	26,971
USD 2,050,000		6,930	6,930
		<u>37,709</u>	<u>37,708</u>
Revolving credits			
Chinese Renminbi 7,600,000	3,347	-	3,347
US Dollar 1,500,000	4,836		4,836
	<u>8,183</u>	<u>-</u>	<u>8,183</u>
Total	<u>68,725</u>	<u>127,205</u>	<u>195,930</u>

** translated using exchange rate as at 31 December 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.

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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 and thereafter on 19 December 2005 filed a Summons in Chambers at the High Court seeking, inter alia, an interim injunction against the Defendants pending the outcome of the Notice of Appeal (“*Erinford* Injunction”). The application for *Erinford* Injunction was dismissed by the High Court on 7 February 2006.

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 hearing date was postponed pending discussion for settlement by the parties and no hearing date has yet been fixed by the Federal Court.

The case was fixed for case management before the High Court on 3 October 2007 where the Plaintiffs withdrew the Writ in light of a Deed of Settlement dated 3 October 2007 entered into between the Plaintiffs, HRB and HSSSB.

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26. (Loss) / Earnings per share

	Individual quarter		Cumulative period	
	3 months ended	3 months ended	Year ended	Year ended
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Net (loss) / profit for the period (RM'000)	(7,144)	35	2,422	1,643
a) <u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	80,541	80,628	80,459	82,514
Basic (loss) / earnings per share (sen)	(8.87)	0.04	3.01	1.99
b) <u>Diluted</u>				
Weighted average number of ordinary shares in issue ('000)	80,541	80,628	80,459	82,514
Effect of share options ('000)	760	(1,110)	1,123	(352)
Weighted average number of ordinary shares ('000)	81,301	79,518	81,583	82,162
Diluted (loss) / earnings per share (sen)	(8.79)	**	2.97	**

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

27. Dividend

No interim dividend has been declared for the current quarter under review.

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 28 February 2008.