

**Notes to the First Quarter Report**  
**For The Financial Period Ended 31 March 2008**

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**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 2007. The 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 2007.

**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 2007 except for the adoption of the following new/revised FRS and IC Interpretations by the Group effective from the financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121 <sub>2007</sub>	The effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 7	Applying the Restatement Approach to FRS 129 Financial Accounting in Hyperinflationary Economies
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 8	Scope of FRS 2

The adoption of the above FRSs and IC Interpretations does not have any significant financial impact to the Group.

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**3. Status of Annual Report 2007**

The auditors' report on the Group's most recent annual audited financial statements for the year ended 31 December 2007 was not subject to any audit qualification.

**4. Seasonal or cyclical factors**

The business operations of the Group were not significantly affected by any seasonal or cyclical factors during the current quarter 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 financial years that may have a material effect in the current quarter.

**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 quarter.

The cumulative shares bought back since the previous financial years and up to the current quarter ended 31 March 2008 was 7,604,100 shares and held as treasury shares in accordance with Section 67A of the Companies Act, 1965. As at 31 March 2008, the number of outstanding shares issued and fully paid with voting rights were 80,540,900 ordinary shares of RM0.50 each.

**8. Dividends paid**

No dividends were paid during the current quarter under review.

**HAISAN RESOURCES BERHAD**  
**Company No. 502213-D**

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**9. Segmental reporting**

	Engineering	Ice Manufacturing	Temperature- controlled logistics/ warehousing	Others	Total	Elimination	Consolidated Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>							
-External	12,918	2,338	10,319	-	25,575		25,575
-Internal segment only	59	138	1,686	339	2,222	(2,222)	-
Total revenue	<u>12,977</u>	<u>2,476</u>	<u>12,005</u>	<u>339</u>	<u>27,797</u>	<u>(2,222)</u>	<u>25,575</u>
<b>RESULT</b>							
Segments Result	3,022	68	2,028	239	5,357	(33)	5,324
Interest income	5	-	-	873	878	(698)	180
Unallocated corporate expenses							(587)
Operating profit							<u>4,917</u>
Finance costs							<u>(3,427)</u>
Profit before tax							<u>1,490</u>
Taxation							<u>(344)</u>
Profit after tax							<u><u>1,146</u></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 2007. The carrying value is based on valuations carried out in years ranging from 2000 to 2007 by independent qualified valuers less depreciation.

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

There were no material events subsequent to the end of the current quarter ended 31 March 2008 up to the date of this announcement.

**12. Changes in the composition of the company**

There were no significant changes in the composition of the Group for the current quarter ended 31 March 2008.

**13. Capital commitments**

Capital commitments for the Group in respect of property, plant and equipment as well as prepaid lease payment not provided for as of 31 March 2008 are as stated below:

	RM'000
Approved and contracted for	<u>11,425</u>

**14. Contingent liabilities and contingent assets**

The Company provided corporate guarantee amounting to RM96,237,507 (as at 31 December 2007: RM91,095,785) 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 registered total revenue of RM25.57 million for the current quarter, a marginal decrease of RM1.07 million or 4.03% compared to the RM26.65 million in the corresponding quarter of preceding year mainly due to lower revenue contribution from the engineering division. However, the effect of reduction in revenue from engineering projects is mitigated by higher revenue contribution from the temperature controlled logistics ("TCL") division following the completion of its major facilities such as the cross-dock centre in Port Klang and Shanghai cold room in 2007.

Profit after tax before minority interest (PATBMI) reduced from RM4.28 million to RM1.1 million compared to the corresponding quarter of preceding year as a result of fewer engineering projects procured during the quarter, higher interest cost and higher depreciation charges due to completion of new TCL facilities during 2007.

**16. Material change in quarterly results**

Comparing with the preceding fourth quarter of 2007, the Group's revenue recorded a slight improvement from RM23.58 million to RM25.57 million, an increase of RM1.99 million or 8.4% mainly due to income derived from the newly completed TCL facilities. Current quarter's PATBMI of RM1.1 million is an improvement from previous quarter's losses before MI of RM6.59 million. The previous quarter's high losses were largely caused by the high cost of raw material required for galvanising projects and the writing off of pre-operating expenses of its Shanghai subsidiary. The raw material price has since stabilised and returned to its previous price level during the current quarter.

**17. Prospects for the remaining quarter until 31 December 2008**

The Group expects 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 both local and oversea markets are also expected to contribute positively to the Group revenue albeit the operating environment will remain competitive and challenging with the increasing fuel and energy cost. The Group's new facility in Shanghai will be providing new recurring income stream to the Group in the coming years in view of strong demand for such facilities 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 explore synergistic business opportunities 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
<b>Malaysian tax</b>		
Current taxation	941	941
Deferred taxation	(597)	(597)
	<u>344</u>	<u>344</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 March December 2008, 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 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 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.

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- 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 with Jenstud Marketing Sdn Bhd and C Y Lin Realty Sdn Bhd for the proposed acquisition of 4 pieces of industrial lands located in Mukim Klang, Daerah Klang, Negeri Selangor for a total purchase consideration of RM6,800,000.
  
- e. On 26 January 2008, the Company's subsidiary, Iglo Cold Chain Logistics Sdn. Bhd. ("IGCL") 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. IGCL presently holds 51% interest in IGC. The acquisition will result in IGC becoming a wholly-owned subsidiary of the IGCL. The acquisition was completed on 26 January 2008.

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**23. Group borrowings and debt securities**

Total Group borrowings as at 31 March 2008 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
<b>Secured</b>			
<b>Denominated in RM</b>			
Term loan	1,472	17,013	18,485
Bankers acceptance	7,700	-	7,700
Bonds	-	29,543	29,543
Bank overdraft	29,618	-	29,618
Hire purchase & lease payables	2,160	2,248	4,408
	<u>40,950</u>	<u>48,804</u>	<u>89,754</u>
<b>Unsecured</b>			
<b>Denominated in RM</b>			
Revolving credits	5,532	-	5,532
Bank overdraft	18,066	-	18,066
Term loan	-	40,000	40,000
Bankers acceptance	1,257	-	1,257
	<u>24,855</u>	<u>40,000</u>	<u>64,855</u>
<b>Secured</b>			
<b>Denominated in foreign currency (*)</b>			
Term loan			
Chinese Renminbi 67,732,382	5,224	26,257	31,481
USD (Vietnam) USD 2,300,000	807	6,762	7,569
Revolving credits			
US Dollar 1,379,319	4,457	-	4,457
	<u>10,488</u>	<u>33,019</u>	<u>43,507</u>
<b>Unsecured</b>			
<b>Denominated in foreign currency (*)</b>			
Term loan			
Chinese Renminbi 8,276,000	-	3,846	3,846
Revolving credits			
Chinese Renminbi 7,029,000	3,267	-	3,267
	<u>3,267</u>	<u>3,846</u>	<u>7,113</u>
<b>Total</b>	<b><u>79,560</u></b>	<b><u>125,669</u></b>	<b><u>205,229</u></b>

*\* translated using exchange rate as at 31 March 2008*

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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**

- a. 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.

On 3 October 2007, consent judgement has been entered against the third Defendant and the suit has been withdrawn against the First and Second Defendant with liberty to file afresh. The plaintiff and the First and Second Defendants have signed a Settlement Deed on 3 October 2007. The Plaintiff through their solicitor has filed a Notice of Discontinuance of Appeal in the Court of Appeal as both parties have settled the matters. The First and Second Defendant’s solicitors are in the midst of filing of Notice of Discontinuance of Notice of Motion in the Federal Court.

- b. On 29 November 2006, the Company filed a claim against Persatuan Peladang Negeri Pulau Pinang (1<sup>st</sup> Defendant), Ketua Pengarah Jabatan Perkhidmatan Haiwan (2<sup>nd</sup> Defendant) and the Government of Malaysia (3<sup>rd</sup> Defendant) for the recovery of the outstanding sum of RM4,698,775 for a shipment of cattles delivered and sold to the defendants pursuant to a Purchase Order dated 5 January 2006 issued by the 1<sup>st</sup> Defendant who had taken delivery of the shipment of cattles. The 3<sup>rd</sup> Defendant is responsible for the supervision and administration of the 2<sup>nd</sup> Defendant.

In the Statement of Claim, the Company also sues the Defendants for negligence as an alternative claim because the 2<sup>nd</sup> Defendant, as agent and/or servant of the 3<sup>rd</sup> Defendant, has inspected and selected the cattles themselves in Australia before the



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shipment of cattles set on sail. However, they subsequently claimed that the cattles did not comply with specifications and refuse to make payment.

The case is currently pending the Court to fix a date for case management and the solicitors are of the opinion that the Company has a strong case to succeed in their claim against the Defendants. In the view of the above, the Company has not made any provision in relation to the said outstanding sum in the financial statements for the financial year ended 31 December 2007.

**26. (Loss) / Earnings per share**

	Individual quarter		Cumulative period	
	3 months ended 31-Mar-08	31-Mar-07	Year ended 31-Mar-08	Year ended 31-Mar-07
<b>Net (loss) / profit for the period (RM'000)</b>	(41)	3,906	(41)	3,906
a) <u>Basic</u> Weighted average number of ordinary shares in issue ( '000)	80,541	80,416	80,541	80,416
<b>Basic (loss) / earnings per share (sen)</b>	<u>(0.05)</u>	<u>4.86</u>	<u>(0.05)</u>	<u>4.86</u>
b) <u>Diluted</u> Weighted average number of ordinary shares in issue ( '000)	80,541	80,416	80,541	80,416
Effect of share options ( '000) Weighted average number of ordinary shares ( '000)	110	(1,092)	110	(1,092)
	<u>80,651</u>	<u>79,324</u>	<u>80,651</u>	<u>79,324</u>
<b>Diluted (loss) / earnings per share (sen)</b>	<u>(0.05)</u>	<u>**</u>	<u>(0.05)</u>	<u>**</u>

\*\* 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 30 May 2008.