

Notes to the Second Quarter Report
For The Financial Period Ended 30 June 2008

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 ₂₀₀₇	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 interim period of current financial year or 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 30 June 2008 was 7,604,100 shares and held as treasury shares in accordance with Section 67A of the Companies Act, 1965. As at 30 June 2008, 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

No dividends were paid during the current quarter under review.

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9. Segmental reporting

The financial results by business segments for the six months period ended 30 June 2008 are as follows:

	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
REVENUE							
-External	25,169	4,828	22,303	-	52,300		52,300
-Internal segment only	184	293	3,477	680	4,634	(4,634)	-
Total revenue	25,353	5,121	25,780	680	56,934	(4,634)	52,300
RESULT							
Segments Result	5,563	304	3,780	480	10,127	(22)	10,105
Interest income	17	1	4	1,696	1,718	(1,382)	336
Unallocated corporate expenses							(1,133)
Operating profit							9,308
Share of loss of associate							(19)
Finance costs							(7,278)
Profit before tax							2,011
Taxation							(816)
Profit after tax							1,195

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 2006 to 2008 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 30 June 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 30 June 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 30 June 2008 are as stated below:

	RM'000
Approved and contracted for	<u>16,522</u>

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14. Contingent liabilities and contingent assets

The Company provided corporate guarantee amounting to RM109,963,296 (as at 31 December 2007: RM91,095,785) in favour of financial institutions for credit facilities granted to subsidiaries.

NOTES TO BURSA MALAYSIA SECURITIES BERHAD REVISED LISTING REQUIREMENTS

15. Performance review

The Group registered total revenue of RM26.73 million for the current quarter, a decrease of RM17.26 million or 39.2% compared to the RM43.99million 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 the increasing revenue contributions from the temperature controlled logistics ("TCL") division's existing cold room operations, and strengthened further by those new facilities such as the cross-dock centre in Port Klang and cold room in Shanghai.

Profit after tax before minority interest (PATBMI) reduced from RM6.04 million to approximately RM49,000 compared to the corresponding quarter of preceding year mainly due to fewer engineering projects procured, escalating raw material cost for projects and higher finance cost incurred during the quarter.

16. Material change in quarterly results

In comparison with the immediate preceding quarter, the Group's revenue recorded a marginal improvement of 4.3% from RM25.57 million to RM26.73 million, mainly due to income derived from the TCL facilities. Due to the escalating raw material cost such as steel and chemicals required for projects and higher finance cost incurred during the quarter, the Company recorded a lower profit after tax before minority interest ("PATBMI") of RM49,000 for the current quarter as compared to previous quarter's RM1.14 million. .

17. Prospects for the remaining quarter until 31 December 2008

The Group expects its engineering and galvanising operations to continue their contribution to the Group's performance.

The Group's temperature controlled logistic ("TCL") and refrigerated transportation operations 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 TCL operations in Port Klang and China will be the main provider of recurring income stream to the Group in the coming years in view of strong demand for such facilities in both local and China markets.

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
Malaysian tax		
Current taxation	548	1,489
Deferred taxation	(76)	(673)
	<u>472</u>	<u>816</u>

The effective tax rate for the current quarter and the financial period to-date is higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.

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 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 proposals

- 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.

23. Group borrowings and debt securities

Total Group borrowings as at 30 June 2008 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Denominated in RM			
Term loan	1,179	17,395	18,574
Bankers acceptance	644	-	644
Bonds	-	29,591	29,591
Bank overdraft	36,538	-	36,538
Hire purchase & lease payables	2,140	1,722	3,862
	<u>40,501</u>	<u>48,708</u>	<u>89,209</u>
Unsecured			
Denominated in RM			
Revolving credits	5,523	-	5,523
Bank overdraft	19,255	-	19,255
Term loan	-	40,000	40,000
Bankers acceptances	930	-	930
	<u>25,708</u>	<u>40,000</u>	<u>65,708</u>
Secured			
Denominated in foreign currency (*)			
Term loan			
RMB 65,739,721	5,346	25,920	31,266
USD 2,098,618	774	6,274	7,048
Revolving credits			-
USD 1,379,181	4,502	-	4,502
	<u>10,622</u>	<u>32,194</u>	<u>42,816</u>
Unsecured			
Denominated in foreign currency (*)			
Term loan			
RMB 8,276,000	-	3,936	3,936
Revolving credits			-
RMB 7,029,000	3,582	-	3,582
	<u>3,582</u>	<u>3,936</u>	<u>7,518</u>
Total	<u>80,413</u>	<u>124,838</u>	<u>205,251</u>

* translated using exchange rate as at 30 June 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.

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 have filed a Notice of Discontinuance of Notice of Motion in the Federal Court on 30 April 2008.

- b. On 29 November 2006, the Company filed a claim against Persatuan Peladang Negeri Pulau Pinang (1st Defendant), Ketua Pengarah Jabatan Perkhidmatan Haiwan (2nd Defendant) and the Government of Malaysia (3rd 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 1st Defendant who had taken delivery of the shipment of cattles. The 3rd Defendant is responsible for the supervision and administration of the 2nd Defendant.

In the Statement of Claim, the Company also sues the Defendants for negligence as an alternative claim because the 2nd Defendant, as agent and/or servant of the 3rd Defendant, has inspected and selected the cattles themselves in Australia before the shipment of cattles set on sail. However, they subsequently claimed that the cattles did not comply with specifications and refuse to make payment.

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The Company has subsequently reached a settlement arrangement with the Defendants and a Notice of Discontinuance of Legal Suit was filed with the Shah Alam High Court. The first settlement installment amounting to RM887,595 was received by the Company on 20 June 2008.

26. (Loss) / Earnings per share

	Individual quarter		Cumulative period	
	6 months ended		Year ended	Year ended
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
Net profit for the period (RM'000)	(838)	4,067	(879)	7,973
a) <u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	80,541	80,418	80,541	80,417
Basic (loss) / earnings per share (sen)	<u>(1.04)</u>	<u>5.06</u>	<u>(1.09)</u>	<u>9.91</u>
b) <u>Diluted</u>				
Weighted average number of ordinary shares in issue ('000)	80,541	80,418	80,541	80,417
Effect of share options ('000)	(627)	806	(627)	597
Weighted average number of ordinary shares ('000)	<u>79,914</u>	<u>81,224</u>	<u>79,914</u>	<u>81,014</u>
Diluted (loss) / earnings per share (sen)	<u>(1.05)</u>	<u>5.01</u>	<u>(1.10)</u>	<u>9.84</u>

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 August 2008.