

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 2009. 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 2009.

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 2009 except for the adoption of the following new/revised FRSs, IC Interpretations and Amendments to FRSs that are effective for financial periods beginning 1 July 2009 or 1 January 2010:-

FRS 4	<i>Insurance Contracts</i>
FRS 7	<i>Financial Instruments: Disclosures</i>
FRS 8	<i>Operating Segments</i>
FRS 101	<i>Presentation of Financial Statements</i>
FRS 127	<i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
FRS 136	<i>Impairment of Assets</i>
FRS 139	<i>Financial Instruments: Recognition and Measurement</i>
Amendment to FRS 1	<i>First-time Adoption of Financial Reporting Standards</i>
Amendment to FRS 2	<i>Share-based Payment: Vesting Conditions and Cancellations</i>
Amendment to FRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
Amendment to FRS 7	<i>Financial Instruments: Disclosures</i>
Amendment to FRS 8	<i>Operating Segments</i>
Amendment to FRS 107	<i>Statement of Cash Flows</i>
Amendment to FRS 108	<i>Accounting Policies, Change in Accounting Estimates and Errors</i>
Amendment to FRS 110	<i>Events after the Reporting Period</i>
Amendment to FRS 116	<i>Property, Plant and Equipment</i>
Amendment to FRS 117	<i>Leases</i>
Amendment to FRS 118	<i>Revenue</i>
Amendment to FRS 119	<i>Employee Benefits</i>
Amendment to FRS 123	<i>Borrowing Costs</i>
Amendment to FRS 127	<i>Consolidated and Separate Financial Statements</i>
Amendment to FRS 128	<i>Investments in Associates</i>

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Amendment to FRS 129	<i>Financial Reporting in Hyperinflationary Economies</i>
Amendment to FRS 132	<i>Financial Instruments: Presentation</i>
Amendment to FRS 134	<i>Interim Financial Reporting</i>
Amendment to FRS 136	<i>Impairment of Assets</i>
Amendment to FRS 138	<i>Intangible Assets</i>
Amendment to FRS 139	<i>Financial Instruments: Recognition and Measurement</i>
IC Interpretation 9	<i>Reassessment of Embedded Derivatives</i>
IC Interpretation 10	<i>Interim Financial Reporting and Impairment</i>
IC Interpretation 11	<i>FRS 2 - Group and Treasury Share Transactions</i>

The adoption of the above new/revised FRSs, IC Interpretations and Amendments to FRSs do not have any significant financial impact on the Group except for the following:-

(a) FRS 4: Insurance Contracts

The Group has adopted FRS 4 in relation to the financial guarantee contracts.

(b) FRS 8: Operating Segments

FRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. This standard does not have any impact on the financial position and results of the Group.

(c) FRS 101: Presentation of Financial Statements

FRS 101 introduces the titles 'statement of financial position' and 'statement of cash flows' to replace the current titles 'balance sheet' and 'cash flow statement' respectively. A new statement known as the 'statement of comprehensive income' is also introduced in this Standard whereby all non-owner changes in equity are required to be presented in either one statement of comprehensive income or in two statements (i.e. a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

This Standard also introduces a new requirement to present a statement of financial position as at the beginning of the earliest comparative period if there are applications of retrospective restatements that are defined in FRS 108, or when there are reclassifications of items in the financial statements.

(d) Amendment to FRS 117: Leases

Prior to the adoption of the Amendment to FRS 117, leasehold land that has an indefinite economic life and with title that is not expected to pass to the lessee by the end of the lease term is classified as operating lease. Upfront payments for the rights to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and amortised over the period of its remaining lease term.

Upon adoption of the Amendment to FRS 117 in relation to classification of leasehold land, the Group reassessed the classification of leasehold land as a finance lease or an operating lease based on the extent of risks and rewards associated with the land. The Group has determined that all leasehold land of the Group is in substance finance leases and has reclassified its leasehold land from prepaid lease payments to property, plant and equipment. The reclassification of leasehold land as property, plant and equipment has been accounted for retrospectively and the comparatives in the Statement of Financial Position as at 1 January 2010 have been restated as shown below:

	As previously stated (RM'000)	Effects on adoption of FRS 117 (RM'000)	As restated (RM'000)
Property, plant and equipment	172,425	38,853	211,278
Prepaid lease payments	38,853	(38,853)	-

(e) FRS 139: Financial Instruments: Recognition and Measurement

This Standard establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. The Group determines the classification at initial recognition and for the purpose of the first-time adoption of the standard, as at transitional date on 1 January 2010.

The Group categories financial instruments as follows:

Financial assets

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss category comprise equity investments that are initially measured at fair value. Any subsequent gain or loss arising from changes in fair value of the financial assets is recognised through profit or loss. The fair values of investments that are actively traded in organised financial markets are determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the reporting date. For investments that do not have quoted market price in an active market, the fair values are measured based on the net tangible assets of the latest available financial statements.

(ii) Loans and receivables

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses arising from the derecognition of the loans and receivables, EIR, amortisation and impairment loss are recognised in profit or loss.

Financial liabilities

All financial liabilities are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Impact on opening balance

In accordance with the transitional provisions of FRS 139, the above changes have been applied prospectively and the comparatives as at 31 December 2009 have not been restated. The changes have been accounted by the Group by restating the following opening balances in the statement of financial position as at 1 January 2010.

	As previously stated (RM'000)	Effects on adoption of FRS 139 (RM'000)	As restated (RM'000)
Non-Current Assets			
Other Investments	12	(12)	-
Financial assets at fair value through profit or loss	-	21	21
Equity			
Retained Earnings	(19,514)	9	(19,505)

The adoption of FRS 139 does not have any significant impact on profit or loss for the financial year to date.

3. Status of Annual Report 2009

The auditors' report on the Group's most recent annual audited financial statements for the year ended ("FYE") 31 December 2009 was qualified in respect of the impairment of property, plant and equipment and prepaid lease payments of certain subsidiaries as well as the impairment on investment in subsidiaries. Please refer to the Company's Audited Financial Statement FYE 31 December 2009 announced on 30 April 2010 for details.

4. Seasonal or cyclical factors

The business operations of the Group are generally not affected by any major seasonal or cyclical factors, except for the China's TCL operations which are affected by winter season in the country.

5. Unusual item

There were no unusual items affecting assets, liabilities, equity, net income or cash flows to date.

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For The Financial Period Ended 30 September 2010

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 was 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 September 2010 was 7,604,100 shares and held as treasury shares in accordance with Section 67A of the Companies Act, 1965. As at 30 September 2010, 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.

9. Segmental reporting

The financial results by business segments for the nine months period ended 30 September 2010 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	35,502	7,223	30,735	0	73,460		73,460
-Internal segment only	7,156	368	6,723	1,042	15,289	(15,289)	-
Total revenue	<u>42,658</u>	<u>7,591</u>	<u>37,458</u>	<u>1,042</u>	<u>88,749</u>	<u>(15,289)</u>	<u>73,460</u>
RESULT							
Segments Result	2,127	(473)	(359)	434	1,729	3,200	4,929
Interest income	7	4	72	1,954	2,037	(1,954)	83
Unallocated corporate expenses							(4,701)
Operating profit							311
Share of profit of associate							2
Finance costs							(9,639)
Loss before tax							(9,326)
Taxation							(580)
Loss after tax							<u>(9,906)</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 2009. The carrying value is based on valuations carried out in years ranging from 2006 to 2008 by independent qualified valuers.

11. Material events subsequent to end of the interim period

There was no material events subsequent to the end of the current quarter ended 30 September 2010 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 September 2010.

13. Capital commitments

Capital commitments for the Group in respect of property, plant and equipment not provided for as of 30 September 2010 are as stated below:

Approved and contracted for	RM'000
	<u>8,588</u>

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14. Contingent liabilities and contingent assets

The Company provided corporate guarantee amounting to RM138, 314,243 (as at 31 December 2009: RM105, 438,309) 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 reported revenue of RM29.84 million during the third quarter of 2010 ("Q3 2010"), an increase of 42% over RM21.08 million against the corresponding quarter of the preceding year ("Q3 2009"), attributable to higher revenue from Engineering division. In tandem with the higher revenue, the Group's net loss before minority interest is reduced at RM3.97 million compared to the net loss before minority interest of RM4.41 million in Q3, 2009.

16. Material change in quarterly results

In comparison with the immediate preceding quarter ("Q2 2010"), the Group's Q3 2010 revenue posted an increase of 26%, from RM23.62 million to RM29.84 million. The higher revenue is offset by higher material costs and an increase of general and administration expenses which increase the Group's net loss before minority interest from RM1.87 million in Q2 2010 to RM3.97 million in Q3 2010.

17. Prospects for the financial year

The board is of the opinion that the outlook for year 2010 will remain challenging, but the Group will continue its effort on the implementation of various corporate exercises to rationalise its assets and facilities, streamline operations and improve efficiency as well as reduce the gearing of the Group. Upon completion of the rationalisation of the corporate exercises where visible and appropriate, the Group shall be in a better position. The board is cautiously optimistic of the prospects for the rest of the financial year.

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	(131)	475
Deferred taxation	206	105
	<hr/>	<hr/>
	75	580

The effective tax rate for the current quarter and the financial period to-date is higher than the statutory tax rate mainly due to losses of subsidiary companies that are not available for set-off against taxable profits of other subsidiary companies.

20. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for this reporting quarter and financial period to-date.

21. Quoted investments

As at 30 September 2010, 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.

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22. Status of corporate proposals

- (a) 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. The Proposal had lapsed.
- (b) On 23 April 2010, the Company announced that the Company entered into a Share Sale Agreement for the Proposed Disposal of its entire investment of 750,000 ordinary shares of RM1.00 each in Malaysian Mega Galvaniser Sdn Bhd ("MMG") representing 50% of the entire issued and paid up capital in MMG to Acepoint Ventures Sdn Bhd for a cash consideration of RM16, 000,000 ("Proposed Disposal"). The Proposed Disposal is pending completion.
- (c) On 28 April 2010, the Company announced that its wholly-owned subsidiary, IGLO International Limited has through its wholly-owned subsidiary in China, IGLO (Shanghai) Co., Ltd ("IGLO SH") on 31 March 2010, signed a Letter of Intent ("LOI") with Global Logistic Properties Investment Management (China) Co., Ltd. ("GLP") (IGLO SH and GLP are collectively known as "the Parties") for a Sale & Leaseback of IGLO SH's land, building and part of the refrigeration equipments for a consideration of RMB120 million with a lease period of not less than 15 years ("the Sale & Leaseback").

Pursuant to the terms of the LOI, the Sale & Leaseback and the final consideration are subject to due diligence by GLP and the negotiation and execution of definitive agreement. The Parties agree to enter into good faith negotiations to reach a definitive agreement by 31 May 2010. The Parties had agreed to extend the date for the final agreement to be completed until 31 July 2010. The LOI had lapsed.

23. Group borrowings and debt securities

Total Group borrowings as at 30 September 2010 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Denominated in RM			
Term loan	25,359	-	25,359
Revolving credits	3,512	-	3,512
Bankers acceptance	6,721	-	6,721
Bank overdraft	28,824	-	28,824
Hire purchase & lease payables	100	168	268
	64,516	168	64,684
Unsecured			
Denominated in RM			
Revolving credits	4,168	-	4,168
Bank overdraft	15,909	-	15,909
Term loan	40,000	-	40,000
	60,077	-	60,077
Secured			
Denominated in foreign currency (*)			
Term loan			
RMB 76,063,500	35,181	-	35,181
VND 44,591,891,782	7,117	-	7,117
Revolving credits			
USD 1,013,916	3,163	-	3,163
RMB 7,531,000	3,483	-	3,483
	48,944	-	48,944
Total	173,537	168	173,705

* translated using exchange rate as at 30 September 2010

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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) A third party has initiated a legal proceeding against a subsidiary and the Company for a sum of RM4,760,064.25 as at 11 July 2010 being the outstanding repayment due to the third party plus the interest accrued therein until the date of full settlement. The Writ of Summons together with the Statement of Claim dated 1 September 2010 was served on the subsidiary and the Company. The subsidiary and the Company have filed in their Notice of Appearance on 21 September 2010. The matter is now fixed for Case Management on 9 December 2010. From a letter dated 8 October 2010 issued by a party to the third party, the third party has now agreed to hold its action in abeyance.
- (b) A third party has initiated a legal proceeding against two (2) subsidiaries for a sum of RM872,061.73 as at 11 July 2010 being the outstanding repayment due to the third party plus the interest accrued therein until the date of full settlement. The Writ of Summons together with the Statement of Claim dated 1 September 2010 was served on the subsidiaries. The subsidiaries have filed in their Notice of Appearance on 21 September 2010. The matter is now fixed for Case Management on 30 November 2010. From a letter dated 8 October 2010 issued by a party to the third party, the third party has now agreed to hold its action in abeyance.
- (c) A third party has initiated a legal proceeding against the Company for a sum of RM3,753,009.44 as at 11 July 2010 being the outstanding repayment due to the third party plus the interest accrued therein until the date of full settlement. The Writ of Summons together with the Statement of Claim dated 1 September 2010 was served on the Company. The Company has filed in their Notice of Appearance on 21 September 2010. The matter is now fixed for Case Management on 18 November 2010. From a letter dated 8 October 2010 issued by a party to the third party, the third party has now agreed to hold its action in abeyance.
- (d) A third party has issued a notice dated 7 September 2010 to claim RM4,798,977.54 as amount owing ("the Notice"), against a subsidiary. The subsidiary immediately applied for leave to take out judicial review proceeding to inter alia quash the Notice and for an injunction. The decision for the interlocutory injunction came up on 24 November 2010 before the Shah Alam High Court Judge. The Injunction was disallowed. The subsidiary immediately on 24 November 2010 applied for an Erinford Injunction orally, the judge reserved decision to 1 December 2010. In the meantime, status quo is maintained with an ad interim injunction in place. On 24 November 2010, the subsidiary has lodged an appeal to the Court of Appeal against the decision, disallowing the interlocutory injunction. The Case Management of the substantive judicial review application will be held on 1 December 2010.
- (e) A third party has initiated a legal proceeding against subsidiary and the Company for a sum of RM929,507.70 as at 11 July 2010 being the outstanding repayment due to the third party plus the interest accrued therein until the date of full settlement. The Writ of Summons together with the Statement of Claim dated 23 September 2010 was served on the subsidiary and the Company. The subsidiary and the Company have filed in their Notice of Appearance on 14 October 2010. The matter is now fixed for Case Management 30 November 2010. The third party also issued a Form 16D Notice pursuant to Section 254 of the National Land Code, 1965 - Notice of Default with respect to a charge dated 23 September 2010 on the subsidiary. From a letter dated 8 October 2010 issued by a party to the third party, the third party has now agreed to hold its action in abeyance.
- (f) A third party issued a Form 16D Notice pursuant to Section 254 of the National Land Code, 1965 - Notice of Default with respect to a charge dated 23 September 2010 to the subsidiary for a sum of RM151,236.57 as at 11 July 2010 being the outstanding repayment due to the third party plus the interest accrued therein until the date of full settlement. From a letter dated 8 October 2010 issued by a party to the third party, the third party has now agreed to hold its action in abeyance.
- (g) A third party has initiated a legal proceeding against subsidiary and the Company for a sum of RM3,153,326.93 as at 30 June 2010 being the outstanding repayment due to the third party plus the interest accrued therein until the date of full settlement. The Writ of Summons together with the Statement of Claim dated 27 September 2010 was served on the subsidiary and the Company. The subsidiary and the Company have filed in their Notice of Appearance on 26 October 2010. From a letter dated 8 October 2010 issued by a party to the third party, the third party has now agreed to hold its action in abeyance.
- (h) A third party has initiated a legal proceeding against subsidiary and the Company for a sum of RM22,025,765.28 as at 27 September 2010 being the outstanding repayment due to the third party plus the interest accrued therein until the date of full settlement. The Writ of Summons together with the Statement of Claim dated 27 September 2010 was served on the subsidiary and the Company. The subsidiary and the Company have filed in their Notice of Appearance on 24 November 2010. The third party also issued a Form 16D Notice pursuant to Section 254 of the National Land Code, 1965 - Notice of Default with respect to a

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charge dated 29 September 2010 on the subsidiary. From a letter dated 8 October 2010 issued by a party to the third party, the third party has now agreed to hold its action in abeyance.

- (i) A third party has initiated a legal proceeding against the Company for a sum of RM42,210,461.78 as at 28 June 2010 being the outstanding repayment due to the third party plus the interest accrued therein until the date of full settlement. The Writ of Summons dated 4 October 2010 together with the Statement of Claim dated 1 October 2010 was served on the Company. The Company had filed their Notice of Appearance on 27 October 2010. The matter was fixed for Case Management on 25 November 2010. On 25 November 2010, the registrar in the High Court disallowed the Company's application for an adjournment. The Court further instructed the Plaintiffs to proceed or to withdraw their suit against the Company. The Plaintiffs claim that they will proceed with the suit. The Court instructed the Plaintiffs to file the application for Summary Judgment by 25 November 2010 afternoon, and to serve on the Company's lawyers by 26 November 2010. The Court further instructed the Company to file the Affidavit in Reply by 8 December 2010.
- (j) A third party issued a Form 16D Notice pursuant to Section 254 of the National Land Code, 1965 - Notice of Default with respect to a charge dated 28 October 2010 to the subsidiary for a sum of RM929,404.69 as at 17 June 2010 being the outstanding repayment due to the third party plus the interest accrued therein until the date of full settlement.

26. Loss per share

	Individual quarter		Cumulative period	
	30-Sep-10	30-Sep-09	30-Sep-10	30-Sep-09
Net loss for the period (RM'000)	(3,218)	(4,433)	(9,976)	(11,666)
a) <u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	80,541	80,541	80,541	80,541
Basic loss per share (sen)	<u>(4.00)</u>	<u>(5.50)</u>	<u>(12.39)</u>	<u>(14.48)</u>
b) <u>Diluted</u>				
Weighted average number of ordinary shares in issue ('000)	80,541	80,541	80,541	80,541
Effect of share options ('000)	*	*	*	*
Weighted average number of ordinary shares ('000)	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Diluted loss per share (sen)	<u>*</u>	<u>*</u>	<u>*</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 26 November 2010.