

Notes to the Fourth Quarter Report  
For The Financial Period Ended 31 December 2013

NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) NO. 134 – INTERIM FINANCIAL REPORTING

1. **Basis of preparation**

The condensed consolidated interim financial statements have been prepared under the historical cost convention unless specifically stated otherwise, as modified by the revaluation of certain properties.

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and Chapter 9.22 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012. 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 2012.

2. **Changes in accounting policies**

The significant accounting policies and methods of computation adopted for the condensed consolidated interim financial statements are consistent with the audited financial statements for the year ended 31 December 2012 except for the adoption of the following new MFRSs, Amendments to MFRSs and Issues Committee (“IC”) Interpretations:-

Description		Effective for financial periods beginning on or after
Amendments to MFRS 101	<i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 3	<i>Business Combinations</i>	1 January 2013
MFRS 10	<i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11	<i>Joint Arrangements</i>	1 January 2013
MFRS 12	<i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13	<i>Fair Value Measurement</i>	1 January 2013
MFRS 119	<i>Employee Benefits (revised)</i>	1 January 2013
MFRS 127	<i>Consolidated and Separate Financial Statements (revised)</i>	1 January 2013
MFRS 128	<i>Investments in Associates and Joint Ventures (revised)</i>	1 January 2013
Amendments to MFRS 1	<i>First-time Adoption of MFRS - Government Loans</i>	1 January 2013
Amendments to MFRS 7	<i>Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Annual Improvements to IC Interpretations and MFRSs 2009 – 2011 Cycle		1 January 2013

The adoption of the above new MFRSs, Amendments to MFRSs and IC Interpretations do not have any significant financial impact on the Group.

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**3. Status of Annual Audited Financial Statements 2012**

The auditors' report on the Group's most recent annual audited financial statements for the year ended 31 December 2012 was not subject to any audit qualification.

**4. Seasonal or cyclical factors**

The business operations of the Group are generally not affected by any major seasonal or cyclical factors.

**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 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 31 December 2013 was 7,604,100 shares and held as treasury shares ("Treasury Shares") in accordance with Section 67A of the Companies Act, 1965. As at 31 December 2013, the numbers of outstanding shares issued and fully paid with voting rights were 80,540,900 ordinary shares of RM0.50 each.

Subsequently, the Treasury Shares were cancelled on 2 January 2014 following the approval granted by the shareholders of the Company on the proposed regularisation plan of the Company on the same date.

**8. Dividends paid**

No dividends were paid during the current quarter under review.

**9. Segmental reporting**

The financial results by business segments for the twelve (12) months period ended 31 December 2013 are as follows:

	←-----Continuing operations ----->						Discontinued operations	Consolidated Amount
	Engineering	Ice Manufacturing	Temperature-controlled logistics/ warehousing	Others	Elimination	Total	Temperature-controlled logistics	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
-External	6,978	7,106	25,417	136	-	39,637	2,522	42,159
-Internal segment only	60	353	8,215	1,795	(10,423)	-	-	-
<b>Total revenue</b>	<b>7,038</b>	<b>7,459</b>	<b>33,632</b>	<b>1,931</b>	<b>(10,423)</b>	<b>39,637</b>	<b>2,522</b>	<b>42,159</b>
RESULT								
Segments Result	3,910	3,305	8,269	6,532	(4,115)	17,901	(504)	17,397
Interest income	7	8	6	3,377	(3,372)	26	44	70
Unallocated corporate expenses						(4,480)	-	(4,480)
Operating profit/(loss)						13,447	(460)	12,987
Share of profit of associate						26		26
Finance costs						(10,982)	-	(10,982)
Profit/(Loss) before tax						2,491	(460)	2,031
Taxation						(812)	-	(812)
<b>Profit/(Loss) after tax</b>						<b>1,679</b>	<b>(460)</b>	<b>1,219</b>

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**10. Valuations of Property, Plant and Equipment**

The valuations of land and buildings have been brought forward, without any amendments from the annual audited financial statements for the year ended 31 December 2012.

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

There was no material events subsequent to the end of the current quarter ended 31 December 2013 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 December 2013.

**13. Capital commitments**

Capital commitments for the Group not provided for as of 31 December 2013 are as stated below:

	<b>RM'000</b>
Approved and contracted for	4,256

**14. Contingent liabilities**

Contingent liabilities for the Group are as stated below:

	<b>As at 31-Dec-13 RM'000</b>	<b>As at 31-Dec-12 RM'000</b>
Corporate guarantees for bank facilities granted to subsidiaries	54,845	62,296
Corporate guarantee to Directors for their personal guarantee for bank facilities granted to the Group	19,800	19,800
Corporate guarantees for bank facilities granted to subsidiaries disposed	24,680	24,680
Litigation suit	5,688	2,045

**NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**15. Performance review**

The Group reported a revenue of RM7.29 million from continuing operations for the current quarter under review ("Q4 2013"), a decrease of approximately RM2.34 million or 24.3% from RM9.63 million recorded in the preceding year's corresponding quarter ("Q4 2012") mainly due to lower revenue generated from Temperature-Controlled Logistics ("TCL") and Engineering division.

The Group recorded a profit from continuing operations of RM0.31 million in Q4 2013 against a loss from continuing operations of RM4.14 million reported in Q4 2012. This was due to a saving in interest of RM0.64 million arising from the settlement of debts, and the effect of other income which comprised mainly of a gain from waiver of debts of RM2.85 million, restatement of allowance for long term liability of RM0.68 million, and forfeiture of deposit from customer of RM0.64 million.

**16. Material change in quarterly results**

The Group's revenue from continuing operations for Q4 2013 was RM7.29 million as compared to RM9.97 million recorded the immediate preceding quarter ("Q3 2013"), a decrease of 26.9% was mainly due to lower revenue generated from Engineering division and TCL division.

The Group reported a profit from continuing operations of RM0.31 million in Q4 2013, against a loss from continuing operations of RM0.28 million reported in Q3 2013. The gain in Q4 2013 was mainly attributable to a gain from waiver of debts of RM2.85 million.

**17. Prospects for next financial year**

Following the classification of the Company as a Practice Note 17 ("PN 17") company pursuant to Paragraph 8.04 and Paragraph 2.1(e) and 2.1(f) of PN 17 of the MMLR of Bursa Securities in June 2010, Bursa Securities had vide its letter dated 25 October 2013 granted its approval for the Company's Proposed Regularisation Plan.

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Furthermore, the Company and some of its subsidiaries had entered into a debt restructuring agreement (“DRA”) with their financial lenders on 6 February 2013 to settle/restructure the debts owing to the financial lenders. Based on the best knowledge of the board of directors of Haisan (“the Board”) under the present circumstances, the Proposed Regularisation Plan and the DRA are adequate to address the financial concerns of the Group that had caused the deterioration of its financial performance.

Moving forward, the Group will explore opportunities related/complementary to its three (3) main business segments i.e. TCL, Engineering and Ice Manufacturing. Any future projects would be subject to detailed analysis of the potential markets, risks and return prior to undertaking the investment and improved financial management for an optimum capital structure without adding undue pressure to the Group’s cash flows.

Premised on the foregoing, the Board is confident that the Company’s PN17 status will be uplifted by Bursa Securities after the successful implementation of the Proposed Regularisation Plan.

**18. Profit forecast**

The profit forecast disclosed in the circular to shareholders dated 10 December 2013 for the financial year ended 31 December 2013 has been achieved.

**19. Taxation**

	<b>Current quarter RM'000</b>	<b>Financial period to-date RM'000</b>
<b>Malaysian tax</b>		
Current taxation	1,026	1,024
Deferred taxation	(116)	(212)
	<u>910</u>	<u>812</u>

The effective tax rate of the Group for the current quarter and the financial period to-date is higher than the statutory tax rate. This was mainly due to certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiary companies cannot be set off against the taxable income of other subsidiary companies.

**20. Status of corporate proposals**

(a) The Company is a PN 17 Company as it has triggered the following criteria pursuant to paragraph 8.04 and Paragraph 2.1(e) and 2.1(f) of PN 17 of the MMLR of Bursa Securities.4

On 7 September 2010, the Company announced that the regularisation plan to regularise the Company’s PN 17 status (“Regularisation Plan”) will not result in a significant change in the business direction or policy presently adopted by the Company.

Further on 8 October 2010, the Company had announced that the Corporate Debt Restructuring Committee (“CDRC”) had on even date accepted the Company’s application to mediate between HAISAN and its subsidiaries and its financial creditors. On 13 May 2011, the Company had submitted the Proposed Debt Restructuring Scheme (“PDRS”) to CDRC.

On 3 June 2011, the Company had announced that the Company had on 2 June 2011 submitted an application to Bursa Securities for an extension of time to submit its Regularisation Plan to Bursa Securities (“Application”).

On 9 June 2011, Bursa Securities informed the Company that the suspension on the trading of the Company’s securities and the delisting of the Company in accordance with Paragraph 8.04 of the MMLR shall be deferred pending the decision of Bursa Securities on the Company’s application for the extension of time to submit the Company’s Regularisation Plan to the relevant authorities pursuant to the provision of PN17 of the MMLR.

On 29 June 2011, Bursa Securities informed the Company that after due consideration of all facts and circumstances of the matter, Bursa Securities has decided to reject the Company’s Application.

On 30 June 2011, the Company had announced that Bursa Securities has vide its letter dated 29 June 2011 informed that the Company has failed to submit its regularisation plan to the Securities Commission or Bursa Securities for approval within twelve (12) months from the Company’s First Announcement in accordance with paragraph 8.04(3)(a)(i) of the MMLR i.e. on or before 8 June 2011 and further, the Company’s Application was rejected, as communicated by Bursa Securities to the Company on 29 June 2011.

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In the circumstances and pursuant to paragraph 8.04(5) of the MMLR:-

- (i) the trading in the securities of the Company will be suspended with effect from 7 July 2011; and
- (ii) the securities of the Company will be de-listed on 11 July 2011 unless an appeal is submitted to Bursa Securities on or before 6 July 2011 ("the Appeal Timeframe"). Any appeal submitted after the Appeal Timeframe will not be considered by Bursa Securities.

In the event the Company submits an appeal to Bursa Securities within the Appeal Timeframe, the removal of the securities of the Company from the Official List of Bursa Securities on 11 July 2011 shall be deferred pending the decision on the Company's appeal.

The Company had on 6 July 2011, submitted an Appeal to Bursa Securities against the decision of Bursa Securities to reject the Company's Application. On 11 August 2011, the Company had a meeting with the Listing Committee of Bursa Securities to review the Application on the extension for the submission of the regularization plan.

On 11 August 2011, the Company had announced that it had obtained more than 75% approval from both its secured and unsecured financial creditors for its revised PDRS, as informed by CDRC.

Further on 23 August 2011, the Company had announced that Bursa Securities had decided to grant HAISAN an extension of time of four (4) months i.e. until 22 December 2011 to submit the regularisation plan to the relevant authorities for approval ("the Extended Timeframe") provided that:-

- (1) HAISAN appoint a Principal Adviser and announce the appointment of the Principal Adviser within two (2) weeks from the date of the letter i.e. on or before 6 September 2011; and
- (2) The Debt Restructuring Agreement ("DRA") would be executed with the Company's lenders and announced within thirty (30) days from the date of the Corporate Debt Restructuring Committee's letter dated 10 August 2011 i.e. on or before 9 September 2011.

On 6 September 2011, the Company had announced that HAISAN had appointed Public Investment Bank Berhad ("PIVB") as the Principal Adviser to the Company for the Regularisation Plan.

On 12 September 2011, the Company had announced that Bursa Securities had decided to grant HAISAN an extension of time until 23 September 2011 to execute the DRA with the Company's lenders and announce the execution of the same. On the same day, PIVB had announced on behalf of the Company that Haisan had on even date entered into the DRA with certain of the secured lenders and unsecured lenders of the Group ("the Company's Financiers").

On 23 November 2011, the Company and PIVB had presented a revision to the Proposed Debt Restructuring ("Proposed Revision") to the Company's Financiers and CDRC, with the objective to enhance the Company's Proposed Regularisation Plan ("PRP") by increasing its capital base and cashflows in order to make the PRP more robust. The Company had obtained approval from the Company's Financiers on the Proposed Revision on 19 December 2011.

On 22 December 2011, PIVB had on behalf of the Company, submitted the application for the PRP to Bursa Securities for approval. Further on 9 January 2012 and 16 January 2012, PIVB had also submitted the application for the PRP to Bank Negara Malaysia ("BNM") and Ministry of International Trade and Industry ("MITI") respectively, for approval. MITI had vide its letter dated 10 February 2012 given its approval to the Company to undertake the Proposed Capital Reduction, Proposed M&A Amendments, Proposed Rights Issue, Proposed Debt Restructuring and Proposed Private Placement. Whilst BNM had also vide its letter dated 30 January 2012 given its approval to the Company to issue Warrants to its non-resident shareholders pursuant to the Proposed Rights Issue. On 16 April 2012, the Company had entered into a supplemental agreement to the DRA with the Company's Financiers with regard to the Proposed Revision.

On 3 September 2012, the Company with the assistance of its scheme advisor, UHY Advisory (KL) Sdn Bhd, submitted a revision to the Proposed Debt Restructuring to CDRC subsequent to the Company's announcement dated 2 August 2012 in respect of the proposed disposal of IGLO GZ for a cash consideration of RMB30.00 million, and the proposed disposal of seven (7) parcels of leasehold industrial land together with the buildings if erected thereon for a total cash consideration of RM35.0 million. On 11 September 2012, PIVB had on behalf of Haisan, announced that the Company and the Lenders had mutually agreed to allow the DRA to lapse in view of the contemplated proposed disposals. Following that, the Company submitted a revised debt restructuring scheme to CDRC in relation to the cash settlement for the secured lenders and unsecured lenders on 25 September 2012 and 15 October 2012 respectively. On 27 November 2012, the Company had a meeting with the unsecured lenders with assistance of CDRC to discuss the suggestions of the unsecured lenders on the revised debt restructuring scheme, and further on 28 November 2012, the Company submitted a fresh improved debt restructuring scheme to the unsecured lenders for their

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consideration. The Company had received 100% approval from the secured lenders and 93% approval from the unsecured lenders respectively for its debt restructuring scheme, as informed by CDRC via its letter dated 21 December 2012.

On 6 February 2013, PIVB had announced on behalf of the Company that Haisan had on 5 February 2013 entered into a new debt restructuring agreement ("DRA II") with several secured lenders ("Secured Lenders") and unsecured lenders ("Unsecured Lenders") of the Group. The DRA II is to formalise the revised terms and conditions of the restructuring and settlement of the debts owing by the Group to the Secured Lenders and Unsecured Lenders.

On 6 March 2013, PIVB had announced on behalf of the Company that Haisan proposes to undertake a revised PRP to regularise the financial condition of the Company/Group. The application for the PRP has been submitted to Bursa Securities for approval on 8 March 2013.

On 8 May 2013, PIVB had announced on behalf of the Company that MITI had vide its letter dated 8 May 2013, given its approval to Haisan to undertake the PRP. The approval by MITI is subject to the approval of the Securities Commission Malaysia for the proposed exemption. In addition, Haisan is required to notify MITI upon the completion of the PRP.

On 6 August 2013, PIVB had announced on behalf of the Company that Bursa Securities had vide its letter dated 5 August 2013 (which was received on 6 August 2013), decided to reject the Company's PRP.

On 4 September 2013, PIVB had announced on behalf of the Company that an application had been submitted to Bursa Securities on the same date to appeal against its decision to reject the PRP.

On 25 October 2013, PIVB had announced on behalf of the Company that Bursa Securities had vide its letter dated 25 October 2013 granted its approval for the PRP.

On 13 November 2013, PIVB had announced on behalf of the Company that Tengku Makram bin Tengku Ariff no longer intends to seek an exemption pursuant to Paragraph 16 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010, from having to extend a mandatory general offer to acquire the remaining ordinary shares and convertible securities in Haisan not already owned by him, should his shareholdings after the Proposed Rights Issue exceed 33% of the issued and paid-up share capital of Haisan. Pursuant thereto, the proposed exemption will not form part of the Proposed Regularisation Plan;

On 21 November 2013, PIVB had announced on behalf of the Company that Haisan had entered into a profit guarantee agreement with its guarantors.

On 5 December 2013, PIVB had, on behalf of the Company announced that Bursa Securities had, vide its letter dated 5 December 2013, approved the following:

- (a) listing of 40,000,000 Placement Shares to be issued pursuant to the Proposed Private Placement; and
- (b) listing of 361,622,700 Rights Shares to be issued pursuant to the Proposed Rights Issue, on the Main Market of Bursa Securities.

On 2 January 2014, the Company announced that all the resolutions in respect of the Proposed Regularisation Plan which tabled at the EGM held on even date were unanimously passed, and the Company also announced the notice of cancellation of the treasury shares.

On 15 January 2014, PIVB had announced on behalf of the Company that the High Court of Malaya at Shah Alam had, on 10 January 2014, confirmed and sanctioned the Company's Petition for an Order for the reduction of the Company's share capital pursuant to Section 64 of the Companies Act, 1965. An office copy of the Order has been lodged with the Companies Commission of Malaysia on 15 January 2014 and by the Order so lodged, the reduction of the share capital of Haisan has taken effect.

- (b) On 11 October 2012, the Company announced that its wholly-owned subsidiary, IGLO International Limited, had on 10 October 2012 entered into a conditional share sale agreement with Asia Logistic Ltd ("Asia Log") ("SSA") for the proposed disposal of its 100% equity interest in IGLO GZ for a cash consideration of Renminbi 30.00 million or equivalent to approximately RM14.66 million.

Subsequently, on 15 February 2013, Haisan announced that AsiaLog by a Deed of Assignment had assigned all its rights, interest and benefits pursuant to the Clause 21 of the SSA to Asia Link Business Limited ("AsiaLink") for a consideration of USD10.00. AsiaLink, a company incorporated in Hong Kong is wholly-owned by Asia Resources Limited, which in turn is wholly-owned by AsiaLog.

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On 29 July 2013, the Company announced that all the conditions precedent of the SSA had been fully satisfied. As such, the proposed disposal was deemed completed.

- (c) On 15 October 2012, the Company announced that the Company's wholly-owned subsidiaries had entered into the following agreements:
- (i) a conditional sale and purchase agreement between Hai San & Sons Sdn Bhd ("HSS") and Hai San Holdings Sdn Bhd ("HSH") and EBIT Fund Limited ("EBIT") for the proposed disposal of seven (7) parcels of leasehold industrial land together with the buildings, if erected thereon, all located at Jalan Pelabuhan Utara, Bandar Sultan Suleiman, 42000 Pelabuhan Klang, Selangor ("Port Klang Properties") for a total cash consideration of RM28.05 million ("Proposed Disposal I") dated 12 October 2012 ("SPA I");
  - (ii) a conditional sale and purchase agreement between HSS, HSH, Hai San Ice Industries Sdn Bhd and IGLO (M) Sdn Bhd ("IGLO-M") and EBIT for the proposed disposal of the equipment attached to the buildings of the Port Klang Properties ("Equipment") for a cash consideration of RM6.95 million ("Proposed Disposal II") dated 12 October 2012 ("SPA II"); and
  - (iii) a conditional lease agreement between IGLO-M and EBIT for the proposed lease of the Port Klang Properties and the Equipment for an initial term of fifteen (15) years subsequent to the completion of the Proposed Disposal I and the Proposed Disposal II which is held in escrow and to be dated upon the completion of the SPA I and the SPA II ("Proposed Lease").

The Proposed Disposal I, Proposed Disposal II and Proposed Lease are hereinafter collectively referred to as the "Proposals".

The Company had obtained its shareholders' approval for the above-mentioned Proposals in the Extraordinary General Meeting ("EGM") held on 28 December 2012.

Subsequent on 18 July 2013, the Company announced that the Company's wholly-owned subsidiaries had entered into the following agreements:

- (i) HSS and HSH had acknowledged that EBIT had entered into a deed of assignment to assign its rights, title, interests, benefits and obligations vested upon EBIT by and/or under the SPA I to Crystal Beacon Sdn Bhd ("**CBSB**") ("**Deed of Assignment I**");
- (ii) HSS, HSH, HSII and IGLO-M had acknowledged that EBIT had entered into a deed of assignment to assign its rights, title, interests, benefits and obligations vested upon EBIT by and/or under the SPA II to CBSB ("**Deed of Assignment II**");
- (iii) HSS and HSH had entered into deeds of indemnity with EBIT respectively whereby EBIT undertakes to perform all the obligations or responsibilities under the SPA I in the event that CBSB refuses, neglects and/or fails to perform all the obligations or responsibilities under the SPA I as and when they fall due ("**Deed of Indemnity I**"); and
- (iv) HSS, HSH, HSII and IGLO-M had entered into deeds of indemnity with EBIT respectively whereby EBIT undertakes to perform all the obligations or responsibilities under the SPA II in the event that CBSB refuses, neglects and/or fails to perform all the obligations or responsibilities under the SPA II as and when they fall due ("**Deed of Indemnity II**"),

(collectively the Deed of Assignment I, and Deed of Assignment II shall be known as the "Assignment Agreements")

(collectively the Deed of Indemnity I, and Deed of Indemnity II shall be known as the "Deeds of Indemnities")

Pursuant to the Assignment Agreements, EBIT's obligations under the conditional lease agreement between EBIT and IGLO-M for the lease of the Port Klang Properties and Equipment for an initial term of fifteen (15) years subsequent to the completion of the Disposal I and Disposal II shall be assigned to CBSB. Upon the completion of the SPA I and SPA II ("SPAs"), IGLO-M will enter into a new lease agreement with CBSB for the lease of the Port Klang Properties and Equipment under the same terms and conditions.

Save for the above, there are no further changes to the Proposals.

- (d) On 24 June 2013, the Company announced that the Company's wholly-owned subsidiary, Hai San Ice Industries Sdn. Bhd, had entered into a conditional sale and purchase agreement with Westfield Ventures Sdn. Bhd. for the disposal of a parcel of leasehold industrial land held under Pajakan Negeri (WP) 42255 Lot

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14 Seksyen 92A, Jalan 2/89B, Chan Sow Lin Industrial Area, 55200, Town and District of Kuala Lumpur State of Wilayah Persekutuan, together with one (1) single storey warehouse and one (1) 2-storey office erected thereon for a total cash consideration of RM5.70 million.

**21. Group borrowings and debt securities**

Total Group borrowings as at 31 December 2013 are as follows:

	<b>Short term RM'000</b>	<b>Long term RM'000</b>	<b>Total RM'000</b>
<b>Secured</b>			
<b>Denominated in RM</b>			
Term loan	19,318	-	19,318
Revolving credits	566	-	566
Bank overdraft	30,842	-	30,842
Hire purchase & lease payables	53	88	141
	<u>50,779</u>	<u>88</u>	<u>50,867</u>
<b>Unsecured</b>			
<b>Denominated in RM</b>			
Revolving credits	4,605	-	4,605
Bank overdraft	18,995	-	18,995
Term loan	37,087	-	37,087
	<u>60,687</u>	<u>-</u>	<u>60,687</u>
<b>Secured</b>			
<b>Denominated in foreign currency (*)</b>			
Revolving credits	USD 382,522	1,243	-
			1,243
<b>Total</b>	<u><b>112,709</b></u>	<u><b>88</b></u>	<u><b>112,797</b></u>

\* translated using exchange rate as at 31 December 2013

**22. Material Litigation**

(a) A third party had initiated a legal proceeding against a subsidiary of the Company and the Company, by serving a Writ of Summons together with the Statement of Claim dated 1 September 2010, for a sum of RM4,760,064.25, being the outstanding repayment due to the third party as at 11 July 2010, plus the interest accrued therein until the date of full settlement. The subsidiary and the Company had filed their Notice of Appearance on 21 September 2010 and the first case management of the matter had been conducted on 9 December 2010. The third party had agreed to hold its action in abeyance following a letter dated 8 October 2010 issued by CDRC to the third party. The Court gave directions to the parties with regard to a Summary Judgment application during the further case management on 17 December 2010 and fixed the hearing for the Summary Judgment application on 15 April 2011. This was to accommodate the six (6) months timeframe granted by CDRC which expires on 8 April 2011. During another case management on 16 February 2011, the Court directed that the Summary Judgment to be heard as per the date fixed i.e. 15 April 2011. On 15 April 2011, the Learned High Court Judge adjourned the hearing to 18 May 2011. On 18 May 2011, the third party withdrew the suit with liberty to file afresh. The matter is now subject to the outcome of the PRP mentioned in Note 19 (a) above.

(b) A third party had initiated a legal proceeding against two (2) subsidiaries of the Company, by serving a Writ of Summons together with the Statement of Claim dated 1 September 2010, for a sum of RM872,061.73, being the outstanding repayment due to the third party as at 11 July 2010, plus the interest accrued therein until the date of full settlement. The subsidiaries had filed their Notice of Appearance on 21 September 2010. The third party had agreed to hold its action in abeyance following a letter dated 8 October 2010 issued by CDRC to the third party. During the first case management before High Court Judge on 6 December 2010, the Court directed a Summary Judgment application to be filed and all affidavits be exchanged before the next case management on 16 February 2011 and also fixed 15 April 2011 as the hearing date of the Summary Judgment application. This was to accommodate the six (6) months time frame granted by CDRC which expires on 8 April 2011. On 16 February 2011, the Court directed that the Summary Judgment to be heard as per the date fixed i.e. 15 April 2011. On 15 April 2011, the Learned High Court Judge adjourned the hearing

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to 18 May 2011. On 18 May, 2011, the third party withdrew the suit with liberty to file afresh. The matter is now subject to the outcome of the PRP mentioned in Note 19 (a) above.

- (c) A third party had initiated a legal proceeding against the Company, by serving a Writ of Summons together with the Statement of Claim dated 1 September 2010, for a sum of RM3,753,009.44, being the outstanding repayment due to the third party as at 11 July 2010, plus the interest accrued therein until the date of full settlement. The Company had filed its Notice of Appearance on 21 September 2010 and the case management of the matter had been held on 18 November 2010. The third party had agreed to hold its action in abeyance following a letter dated 8 October 2010 issued by CDRC to the third party. During a case management before High Court Judge on 30 November 2010, the Court directed a Summary Judgment application to be filed and all affidavits be exchanged prior to the case management on 13 April 2011, and also fixed the hearing of the Summary Judgment application on 13 April 2011. On 13 April 2011, the Learned the High Court Judge had also adjourned the hearing to 18 May 2011. On 18 May 2011, the hearing had been further adjourned to 18 July 2011. On 18 July 2011, the third party withdrew the suit with liberty to file afresh. The matter is now subject to the outcome of the PRP mentioned in Note 19 (a) above.
- (d) A third party had issued a notice dated 7 September 2010 to a subsidiary of the Company to claim for a sum of RM4,798,977.54, being the amount owing to the third party ("Notice"). 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 had been then immediately on the even date, i.e. 24 November 2010, applied for an Erinford Injunction orally and the judge reserved the decision to 1 December 2010.

On 24 November 2010, the subsidiary lodged an appeal to the Court of Appeal against the decision, disallowing the interlocutory injunction. The subsidiary had lodged a notice of discontinuance of the appeal against the decision for the interlocutory injunction at the Court of Appeal on 12 June 2012.

On 1 December 2010, Shah Alam High Court dismissed the subsidiary's application for an Erinford Injunction, and then the subsidiary applied for the Notice of Motion to the Court of Appeal. The Court of Appeal allowed the motion and granted an Erinford Injunction. During the case management for the substantive judicial review on 14 December 2010, the Registrar fixed 17 February 2011 as the hearing of the Judicial Review application. The subsidiary filed its affidavit in reply on 14 January 2011. On 17 February 2011, the Learned Judge directed that the matter to be postponed for four (4) months pending the decision by the Federal Court and fixed the matter for hearing on 14 July 2011. The hearing was adjourned to 13 September 2011 and then to 18 January 2012 and later to 19 March 2012. On 19 March 2012, the High Court upheld the third party's preliminary objection and dismissed the subsidiary's judicial review application.

On 28 May 2012, the hearing for the Erinford Injunction had been adjourned to 27 June 2012. On 27 June 2012, the Shah Alam High Court dismissed the Erinford Injunction filed by the subsidiary with costs of RM3,000.00. The subsidiary had filed a notice of motion praying for an Erinford Injunction at the Court of Appeal upon the refusal of the Shah Alam High Court to grant the same on 28 June 2012. The notice of motion praying for an Erinford Injunction to the Court of Appeal called up on 28 August 2012 at the Court of Appeal and a consent order was recorded for an Erinford Injunction to be in place until 30 October 2012. In addition, the appeal against the dismissal of the Judicial Review Application by the Shah Alam High Court at the Court of Appeal had been fixed on 30 October 2012 and had been adjourned to 19 February 2013 and then to 7 March 2013 and later to 25 June 2013. The appeal against the dismissal of the Judicial Review Application by the Shah Alam High Court had been dismissed by the Court of Appeal on 25 June 2013. However, the Court of Appeal had granted the injunction to remain until the application for leave to appeal to the Federal Court is heard. The case management of the leave application was held on 27 August 2013 at the Federal Court. The leave application at the Federal Court to appeal the Court of Appeal decision dated 25 June 2013 was dismissed on 24 October 2013.

- (e) A third party had initiated a legal proceeding against a subsidiary of the Company and the Company, by serving a Writ of Summons together with the Statement of Claim dated 23 September 2010, for a sum of RM929,507.70, being the outstanding repayment due to the third party as at 11 July 2010, plus the interest accrued therein until the date of full settlement. 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. The subsidiary and the Company had filed their Notice of Appearance on 14 October 2010. The third party had agreed to hold its action in abeyance following a letter dated 8 October 2010 issued by CDRC to the third party. During a Mention on 13 April 2011, the Learned High Court Judge adjourned the hearing to 18 May 2011 and later further adjourned the hearing to 18 July 2011. On 18 July, 2011, the third party withdrew the suit with liberty to file afresh. The matter is now subject to the outcome of the PRP mentioned in Note 19 (a) above.
- (f) A third party had initiated a legal proceeding against a subsidiary of the Company and the Company, by serving a Writ of Summons together with the Statement of Claim dated 27 September 2010, for a sum of RM3,153,326.93 being the outstanding repayment due to the third party as at 30 June 2010, plus the interest accrued therein until the date of full settlement. The subsidiary and the Company had filed their Notice of

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Appearance on 26 October 2010. The third party had agreed to hold its action in abeyance following a letter dated 8 October 2010 issued by CDRC to the third party. The matter is now subject to the outcome of the PRP mentioned in Note 19 (a) above.

- (g) A third party had initiated a legal proceeding against a subsidiary of the Company and the Company, by serving a Writ of Summons together with the Statement of Claim dated 27 September 2010, for a sum of RM22,025,765.28 being the outstanding repayment due to the third party as at 27 September 2010, plus the interest accrued therein until the date of full settlement. 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 29 September 2010 on the subsidiary. On 25 November 2010, the subsidiary and the Company had filed their Memorandum of Appearance dated 24 November 2010. The third party has agreed to hold its action in abeyance following a letter dated 8 October 2010 issued by CDRC to the third party. The matter is now subject to the outcome of the PRP mentioned in Note 19 (a) above.
- (h) 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 a subsidiary of the Company for a sum of RM929,404.69, being the outstanding repayment due to the third party as at 17 June 2010, plus the interest accrued therein until the date of full settlement. However, the third party had agreed to hold its action in abeyance following a letter dated 8 October 2010 issued by CDRC to the third party. The matter is now subject to the outcome of the PRP mentioned in Note 19 (a) above.
- (i) On 30 September 2011, two (2) subsidiaries of the Company, First Plaintiff and Second Plaintiff (collectively known as the "Plaintiffs"), had filed an action against a third party ("Defendant") for the outstanding fees owing by the Defendant to the First and Second Plaintiff.

On 29 July 2013, the First Plaintiff and Second Plaintiff were informed that the court had allowed the claims made by the First Plaintiff and Second Plaintiff against the Defendant via a written judgment dated 25 July 2013 ("the Judgment"). The claims which are allowed under the Judgment are as follows:-

- a. Within ten (10) days from the effective date of the judgment, the Defendant shall pay to the First Plaintiff an amount of RMB568,473.13, being the storage charges for the month of March, April and May of 2011, and the loss of interest calculating from 1 August 2011 until the effective date of the judgment (based on the amount of RMB568,473.13 at the lending rate of the People's Bank of China);
- b. Within ten (10) days from the effective date of the judgment, the Defendant shall pay to the Second Plaintiff an amount of RMB889,916.38, being the distribution charges for the month of March, April and May of 2011, and the loss of interest calculating from 17 July 2011 until the effective date of the judgment (based on the amount of RMB889,916.38 at the lending rate of the People's Bank of China);
- c. Within ten (10) days from the effective date of the judgment, the Defendant shall pay to the First Plaintiff an amount of RMB341.09, being the repayment of the local education surcharges for the month of January and February of 2011; and
- d. Within ten (10) days from the effective date of the judgment, the Defendant shall pay to the Second Plaintiff an amount of RMB226.88, being the repayment of the local education surcharges for the month of January and February of 2011.

The Defendant had on 6 August 2013 filed an appeal to the court against the above Judgment and the matter had been tried on 4 September 2013. On 20 November 2013, the Plaintiffs received a notice dated 18 November 2013 from the court informed the Plaintiffs that the appeal has been suspended as it is subject to the judgment of another suit filed by the Defendant against the Plaintiffs at the another court in Shanghai.

- (j) On 30 September 2011, a third party filed an action against two (2) subsidiaries of the Company ("the Subsidiaries") for the following:-
  - a. Confirmation of the termination of the Direct Warehouse Management and Direct Marketing Distribution Service Contract and its supplemental agreement;
  - b. The loss of expired goods valuing at RMB3,381,576.00 which resulted from the delay of returning the said expired goods; and
  - c. A sum of RMB176,794.28 being the loss of inventory.

The hearing of the suit had been held on 23 April 2012 after few adjournments. The Court had rejected the claims made by the third party against the Subsidiaries. However, on 21 May 2012, the Subsidiaries received a notice of appeal dated 8 May 2012 ("Appeal") filed by Wall's (China) Co., Ltd to the Shanghai No. 1 Intermediate People's Court against the Judgment dated 23 April 2012. The hearing for the Appeal had been conducted on 30 May 2012. On 14 November 2012, the Subsidiaries were informed by the Appeal Court via a

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written judgment dated 12 November 2012 that the Appeal Court had revoked the judgment made by the People's Court on 23 April 2012, and the suit remanded to the People's Court of Changning District, Shanghai ("the Court") for a new trial. The suit is currently set for retrial. The hearing for the new trial was held on 25 December 2013.

The Subsidiaries had on 7 February 2014, received a written judgment dated 29 January 2014 against this civil suit ("the Judgment) issued by the the Court, where the Court had ruled, that:

- (i) The Direct Warehouse Management and Direct Marketing Distribution Service Contract and its supplemental agreement which were entered into between the third party and the Subsidiaries were terminated on 7 August 2012;
- (ii) The Subsidiaries to compensate the third party for the loss with regard to the expired goods of RMB1,076,249.44, within ten (10) days from the effective date of the Judgment;
- (iii) The Subsidiaries to compensate the third party for the disposal costs with regard to the expired goods of RMB27,595.99, within ten (10) days from the effective date of the Judgment; and
- (iv) The other petitions filed by the third party against the Subsidiaries were dismissed.

The Subsidiaries on 22 February 2014, filed an appeal to the Shanghai No. 1 Intermediate People's Court, against the judgment dated 29 January 2014 issued by the Court.

- (k) The Company was named seventh (7th) Defendant in a suit which involved the disposal of the Company's 50% subsidiary for a consideration of RM12.0 million pursuant to the announcement dated 17 January 2011. The disposal of the shares had been approved by the Company's shareholders at an EGM on 12 March 2011. The 1st Plaintiff, who owned 40% shares in the subsidiary, also sold his shares to the 1st Defendant.

After the 7th Defendant's and the 1st Plaintiff's shares in the subsidiary had been transferred to the 1st Defendant, the 1st Plaintiff alleged that the 1st Defendant had breached the agreement entered into with the 1st Plaintiff and sought the court to declare that the 1st Defendant is holding the shares on trust and seek an order that the agreement entered into between the 1st Defendant and the 1st Plaintiff be terminated.

At the same time, the Plaintiffs also alleged that the disposal of the shares by the 7th Defendant to the 1st Defendant should also be terminated due to illegality, and the Plaintiffs, for the said reason, had filed for a declaration that the agreement entered into between the 1st Defendant and the 7th Defendant should be terminated in the same action.

The suit came up for first case management on 5 March 2012 and it was informed by the Plaintiffs that the service of the writ had not been perfected on some of the defendants in the suit and the Plaintiffs requested another date to perfect the same. The court had directed that the Plaintiffs to perfect the service of the writ on all parties within one (1) week from 5 March 2012 and thereafter allowed two (2) weeks for all parties to file their defence and fixed the suit for further case management on 26 March 2012. On 26 March 2012, the Court had granted an extension of three (3) weeks to the Company to file its defence.

The case management of the suit had been held on 7 May 2012, 22 May 2012, 6 June 2012 and 20 June 2012 respectively. On 20 June 2012, the Court fixed 17 October 2012, 18 October 2012, 28 November 2012 and 29 November 2012 for full trial of the suit. The Court given direction for the Plaintiffs to file their bundle of pleadings, common bundle of documents, agreed facts and issues to be tried before 27 July 2012 and fixed 27 July 2012 for further case management. On 27 July 2012, the Court had again fixed 17 August 2012 for further case management pending filing of bundle of documents by the Plaintiffs.

The case management of the suit had also been held on 13 September 2012, 21 September 2012, 5 October 2012 and 9 October 2012 respectively. At the case management on 9 October 2012, the Court had vacated the hearing that had been set for 17 October 2012 and 18 October 2012 but retained the hearing date on 28 November 2012 and 29 November 2012. The Court had later fixed 7 January 2013 and 8 January 2013 for the hearing and 19 October 2012 for further case management.

On 19 October 2012, the Court has directed the Company's solicitors to file the Affidavit in Reply for the Plaintiff's application to amend the Statement of Claim by 31 October 2012 and the Plaintiff shall reply by 5 November 2012. The said application is fixed for hearing on 6 November 2012 and further case management is also fixed on the same day. On 6 November 2012, the Court had fixed the said application for a decision on 7 November 2012 and the Court had adjourned the hearing that had been set for 28 November 2012 and 29 November 2012 but retained the hearing on 7 January 2013 and 8 January 2013. At the hearing on 7 November 2012 with regard to the Plaintiffs' application to amend the Statement of Claim, the Court had disallowed the amendments to paragraph 26(a) and part of paragraph 85(c), but the rest of the amendments had been allowed. The Court had also fixed 28 November 2012 for further case management and all parties

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are required to amend and file their respective amended defense on the even date and further fixed 11 March 2013 and 13 March 2013 for further hearing of the suit. On 28 November 2012, the Court has directed the Plaintiff's solicitor to file the necessary amended Bundle of Pleadings and all other relevant documents by 12 December 2012. The Plaintiffs' solicitors have served the Company an application to re-amend their Statement of Claim which is fixed for Mention on 19 December 2012.

The hearing for the application to amend the Statement of Claim was adjourned to 23 January 2013 from 11 January 2013 and the application to amend the Statement of Claim was allowed by the Court on 5 February 2013. The Court has fixed the above matter for further case management on 8 March 2013 and vacated the hearing dates on 7 January 2013 and 8 January 2013 and fixed new dates for hearing on 12 April 2013, 23 April 2013, 24 April 2013, 25 April 2013, 26 April 2013, 10 May 2013, 17 May 2013 and 21 May 2013. Later, the Court vacated the hearing dates on 23 April 2013 to 26 April 2013 and fixed new dates for hearing on 8 April 2013, 9 April 2013, 30 April 2013 and 9 May 2013. During the hearing on 17 May 2013, the Court has fixed the suit for hearing on 11 June 2013, 1 August 2013, 2 August 2013, 5 August 2013, 6 August 2013, 26 September 2013, 27 September 2013 and 30 September 2013. During the case management on 10 July 2013, the Court had fixed additional dates for the hearing of the suit on 2 October 2013, 3 October 2013, 4 October 2013 and 6 November 2013. Subsequently, the Court had fixed additional dates for the trial of the suit on 7 November 2013, 8 November 2013, 13 January 2014, 15 January 2014, 14 February 2014, 7 March 2014, 21 March 2014, 31 March 2014, 28 April 2014 and 29 April 2014.

- (l) A third party had on 22 October 2013 filed a claim against a subsidiary of the Company claiming for the sum of RM4,798,977.54 and interest thereon (at the rate of 8% per annum from the date of judgement until the full payment is made) as amount owing for back-dated billing. The solicitors of subsidiary of the Company had on 6 November 2013 file the memorandum of appearance and the next case management for the matter has been fixed on 13 December 2013. The suit was fixed for case management on 14 February 2014 and further fixed for case management on 28 March 2014.

**23. Profit/(Loss) per share**

	Individual quarter		Cumulative period	
	3 months ended		12 months ended	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
<b>Profit/(Loss) attributable to equity holders for the period (RM'000)</b>				
- Continuing operations	314	(4,134)	1,709	(28,779)
- Discontinued operations	-	530	(460)	(4,113)
a) <u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	80,541	80,541	80,541	80,541
<b>Basic profit/(loss) per share (sen)</b>				
- Continuing operations	0.39	(5.13)	2.12	(35.73)
- Discontinued operations	-	0.66	(0.57)	(5.11)
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)	*	*	*	*
<b>Diluted loss per share (sen)</b>				
	*	*	*	*

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

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**24. Dividend**

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

**25. Realised and unrealised losses disclosure:**

The accumulated losses are analysed as follows:-

	<b>As at 31-Dec-13 RM'000</b>	<b>As at 31-Dec-12 RM'000</b>
Total accumulated loss of the Company and its subsidiaries		
- Realised	(165,067)	(168,070)
- Unrealised	(3,570)	(3,783)
Total accumulated loss of an associate		
- Realised	(173)	(199)
- Unrealised	-	-
Less: Consolidation adjustments	57,176	58,685
Accumulated loss as per financial statements	<u>(111,634)</u>	<u>(113,367)</u>

**26. Loss before tax from continuing operations**

	<b>Current quarter RM'000</b>	<b>Financial period to-date RM'000</b>
Loss before income tax is arrived at after (charging)/crediting:		
Interest income	5	26
Other income including investment income	8,021	12,478
Interest expense	(2,396)	(10,982)
Depreciation and amortization	(2,387)	(3,995)
Foreign exchange gain or (loss)	393	195

Other than the above, the disclosure items pursuant to paragraph 16 of Part A of Appendix 9B of the MMLR of Bursa Securities are not applicable to the Group.

**27. Authorisation for issue**

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the Directors dated 27 February 2014.