

Notes to the Third Quarter Report
For the Financial Period ended 30 September 2014

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 2013. 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 2013.

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 2013 except for the adoption of the following Amendments to MFRSs:-

Description		Effective for financial periods beginning on or after
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to MFRS 127	<i>Investment Entities</i>	1 January 2014
Amendments to MFRS 132	<i>Financial Instruments:</i>	1 January 2014
	<i>Presentation - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
Amendments to MFRS 9	<i>Financial Instruments</i>	1 January 2015

The adoption of the above Amendments to MFRSs is not expected to have any significant financial impact on the Group.

3. **Status of Annual Audited Financial Statements 2013**

The auditors' report on the Group's most recent annual audited financial statements for the year ended 31 December 2013 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**

Save as disclosed below, there were no issuance, cancellation, repurchase, resale or repayment of debts and equity securities in the current quarter.

On 2 January 2014, the treasury shares of 7,604,100 shares of the Company were cancelled and the issued and paid-up capital of the Company was reduced to 80,540,900 ordinary shares of RM0.50 each.

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On 10 January 2014, the share capital of the Company was reduced to RM4,027,045 comprising of 80,540,900 ordinary shares of RM0.05 each from RM40,270,450 comprising of 80,540,900 ordinary shares of RM0.50 each by the cancellation of RM0.45 of the par value of each existing ordinary share of the Company.

On 14 March 2014, the issued and paid up share capital was increased by 40,000,000 ordinary shares to 120,540,900 ordinary shares by a RM2,000,000 private placement.

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 (9) months period ended 30 September 2014 are as follows:

	←-----Continuing operations -----→					
	Engineering	Ice Manufacturing	Temperature- controlled logistics/ warehousing	Others	Elimination	Consolidated Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE						
-External	3,330	3,563	19,802	1,175		27,870
-Internal segment only	278	27	5,104	904	(6,313)	-
Total revenue	<u>3,608</u>	<u>3,590</u>	<u>24,906</u>	<u>2,079</u>	<u>(6,313)</u>	<u>27,870</u>
RESULT						
Segments Result	213	458	3,017	2,232	705	6,625
Interest income	1	1	4	2,612	(2,611)	7
Unallocated corporate expenses						(2,983)
Operating profit						3,649
Share of loss of associate						(13)
Finance costs						(6,728)
Loss before tax						(3,092)
Taxation						(78)
Loss after tax						<u>(3,170)</u>

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 2013.

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 2014 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 2014.

13. Capital commitments

There were no material capital commitments in respect of property, plant and equipment as at the current quarter ended 30 September 2014.

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14. Contingent liabilities

Contingent liabilities for the Group are as stated below:

	As at 30-Sep-14 RM'000	As at 31-Dec-13 RM'000
Corporate guarantees for bank facilities granted to subsidiaries	51,633	54,845
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	5,705	5,688

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

15. Performance review

The Group reported a revenue of RM8.45 million from continuing operations for the current quarter under review ("Q3 2014"), a decrease of approximately RM1.52 million or 15.2% from RM9.97 million recorded in the preceding year's corresponding quarter ("Q3 2013") mainly due to lower revenues generated from Engineering and Ice Manufacturing division.

The Group recorded a loss after income tax ("LAT") of RM1.15 million in Q3 2014 against a LAT from continuing operations of RM0.28 million reported in Q3 2013. This was due to weakened performance of all the divisions.

16. Material change in quarterly results

The Group's revenue from continuing operations for Q3 2014 was RM8.45 million as compared to RM9.60 million recorded the immediate preceding quarter ("Q2 2014"), a decrease of 12.0% was mainly due to lower revenue generated from Temperature-Controlled Logistics ("TCL") and Others division.

The Group reported a LAT of RM1.15 million in Q3 2014, against a LAT from continuing operations of RM2.07 million in Q2 2014. The LAT in Q3 2014 is improved mainly due to foreign exchange gain of approximately RM0.63 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 ("PRP") and subsequently Bursa Securities had vide its letter dated 16 October 2014 granted the Company an extension of time up to 24 February 2015 for the Company to implement its Regularisation Plan.

Furthermore, the Company and some of its subsidiaries had entered into a debt restructuring agreement ("DRA II") 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 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 Regularisation Plan.

18. Statement of the Board of Directors' Opinion as to whether Revenue or Profit Estimate, Forecast, Projection or Internal Targets are likely to be achieved

The board of directors' is in the opinion that the revenue and profit forecasted in the remaining period to the end of the financial year and the forecast period which was disclosed in the circular to shareholders dated 10 December 2013 are likely to be achieved.

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19. Profit forecast or profit guarantee

This note is only applicable to the final quarter of the financial year.

20. Taxation

	Current quarter RM'000	Financial period to-date RM'000
Malaysian tax		
Current taxation	173	173
Deferred taxation	(31)	(95)
	<u>142</u>	<u>78</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.

21. 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.

On 7 September 2010, the Company announced that the regularisation plan to regularise the Company's PN 17 status 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.

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.

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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:-

- (i) 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
- (ii) 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 PDRS ("Proposed Revision") to the Company's Financiers and CDRC, with the objective to enhance the Company's regularisation plan by increasing its capital base and cashflows in order to make the regularisation plan 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 PDRS to CDRC subsequent to the Company's announcement dated 2 August 2012 in respect of the proposed disposal of IGLO (Guangzhou) Co., Ltd 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 RM35.00 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 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

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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 PRP;

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:

- (i) listing of 40,000,000 Placement Shares to be issued pursuant to the Proposed Private Placement; and
- (ii) 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 PRP 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.

On 14 March 2014, the placement shares of 40,000,000 ordinary shares were issued to the respective placees.

On 10 October 2014, PIVB had announced on behalf of the Company that the Company had submitted an application to Bursa Securities seeking its approval for an extension period of four (4) months up to 24 February 2015 for the Company to complete the implementation of its Regularisation Plan and the listing of the new Haisan Shares pursuant to the Private Placement and Rights Issue. On 17 October 2014, Bursa Securities had vide its letter dated 16 October 2014 granted the Company an extension of time up to 24 February 2015 for the Company to implement its Regularisation Plan.

- (b) 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

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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.

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22. Group borrowings and debt securities

Total Group borrowings as at 30 September 2014 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Denominated in RM			
Term loan	14,783	-	14,783
Revolving credits	585	-	585
Bank overdraft	30,972	-	30,972
Hire purchase	98	316	414
	<u>46,438</u>	<u>316</u>	<u>46,754</u>
Unsecured			
Denominated in RM			
Revolving credits	4,735	-	4,735
Bank overdraft	20,357	-	20,357
Term loan	37,087	-	37,087
	<u>62,179</u>	<u>-</u>	<u>62,179</u>
Secured			
Denominated in foreign currency (*)			
Revolving credits	USD 382,522	1,255	-
			1,255
Total	<u><u>109,872</u></u>	<u><u>316</u></u>	<u><u>110,188</u></u>

* translated using exchange rate as at 30 September 2014

23. 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 21 (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 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 21 (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

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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 21 (a) above.

- (d) 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 21 (a) above.
- (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 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 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 21 (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 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 21 (a) above.
- (g) 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 21 (a) above.
- (h) 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 Plaintiffs were informed that the court had allowed the claims made by the Plaintiffs against the Defendant via a written judgment dated 25 July 2013 ("the Judgment dated 25 July 2013"). 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);

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- 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 Shanghai No. 1 Intermediate People's Court ("the Court") against the above Judgment ("the Appeal") and the matter had been tried on 4 September 2013. The Plaintiffs had on 26 June 2014 received a notice dated 23 June 2014 from the Court informing the Plaintiffs that the Appeal filed by the Defendants has been rejected by the Court and the Judgment dated 25 July 2013 is upheld.

- (i) 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 the third party 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 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 Changning 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 dated 29 January 2014") issued by the Changning Court, where the Changning 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 ("the Court"), against the judgment dated 29 January 2014 issued by the Changning Court. The hearing on the appeals was fixed on 8 April 2014 at the Court. The Subsidiaries had on 26 June 2014 received a notice dated 10 June 2014 from the Court informing the Subsidiaries that the appeals filed by both the Subsidiaries and the third party had been rejected by the Court and the Judgment dated 29 January 2014 is upheld.

- (j) 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.

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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 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. The trial of the suit was held 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, 11 April 2014 and 23 April 2014. During the case management on 20 August 2014, all parties have been directed by the Court to file their Written Submission in Reply by 30 September 2014. The Oral Submission was held on 3 November 2014 and 19 November 2014, respectively. During the Oral Submission on 19 November 2014, the Court has set 12 December 2014 for decision.

- (k) 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, 28 March 2014, 23 April 2014, 26 May 2014 and 3 September 2014 and the full trial dates are fixed for 22 to 26 September 2014. On 5 September 2014, the Company announced that the hearing dates fixed on 22 to 26 September 2014 have been vacated. Subsequently, the suit is further fixed for case management on 26 January 2015 and the suit is fixed for full hearing on 30 March 2015, 31 March 2015 and 1 April 2015.

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24. (Loss)/Earnings per share

	Individual quarter 3 months ended		Cumulative period 9 months ended	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
(Loss)/Earnings attributable to equity holders for the period (RM'000)				
- Continuing operations	(1,151)	(271)	(3,164)	1,394
- Discontinued operations	-	-	-	(460)
a) <u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	112,650	80,541	112,650	80,541
Basic (loss)/earnings per share (sen)				
- Continuing operations	(1.02)	(0.34)	(2.81)	1.73
- Discontinued operations	-	-	-	(0.57)
b) <u>Diluted</u>				
Weighted average number of ordinary shares in issue ('000)	112,650	80,541	112,650	80,541
Effect of share options ('000)	N/A	*	N/A	*
Weighted average number of ordinary shares ('000)	N/A	*	N/A	*
Diluted (loss)/earnings per share (sen)	N/A	*	N/A	*

N/A - Not applicable

* No diluted (loss)/earnings per share is disclosed as the effect is anti-dilutive

25. Dividend

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

26. Disclosure of realised and unrealised profit/(losses)

The accumulated losses are analysed as follows:-

	As at 30-Sep-14 RM'000	As at 31-Dec-13 RM'000
Total accumulated loss of the Company and its subsidiaries		
- Realised	(24,520)	(57,839)
- Unrealised	3,478	3,738
	(21,042)	(54,100)
Total accumulated loss of an associate		
- Realised	(186)	(173)
	(21,228)	(54,273)
Less: Consolidation adjustments	(54,855)	(57,176)
Accumulated loss as per financial statements	(76,083)	(111,449)

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27. Loss before income tax

	Current quarter RM'000	Financial period to-date RM'000
Loss before income tax is arrived at after (charging)/crediting:		
Interest income	2	7
Reversal of impairment in property, plant and equipment	456	1,369
Gain on disposal of property, plant and equipment	13	651
Other income	78	653
Interest expense	(2,275)	(6,728)
Depreciation and amortization	(849)	(2,739)
Foreign exchange gain/(loss)	627	235

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.

28. Authorisation for issue

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