

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 2014. 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 2014.

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 2014 except for the adoption of the following Amendments to MFRSs:-

Effective for financial periods beginning on or after 1 January 2016

Amendments to MFRS 5	<i>Non-Current Assets Held for Sale and Discontinued Operations (Annual Improvements To MFRSs 2012- 2014 Cycle)</i>
Amendments to MFRS 7	<i>Financial Instruments (Annual Improvements to MFRSs 2012-2014 Cycle)</i>
Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor And its Associate or Joint Venture</i>
Amendments to MFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 116 and MFRS 138	<i>Clarification of Acceptable Methods on Depreciation and Amortisation</i>
Amendments to MFRS 116 and MFRS 141	<i>Agriculture : Bearer Plants</i>
Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle)</i>
Amendments to MFRS 127	<i>Equity in Separate Financial Statements</i>
Amendments to MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)</i>
Amendments to MFRS 134	<i>Interim Financial Reporting Annual (Annual Improvements to MFRSs 2012-2014 Cycle)</i>
Amendments to MFRS 138	<i>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)</i>

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 15	<i>Revenue from Contracts with Customers</i>
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Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 9	<i>Financial Instruments</i>
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The Group will adopt the above relevant pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

**Notes to the Second Quarter Report
For the Financial Period ended 30 June 2015**

3. Status of Annual Audited Financial Statements 2014

The auditors’ report on the Group’s most recent annual audited financial statements for the year ended 31 December 2014 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 were no issuance, cancellation, repurchase, resale or repayment of debts and equity securities in the current quarter.

8. Dividends paid

No dividends were paid during the current quarter under review.

9. Segmental reporting

The financial results by business segments for the six (6) months period ended 30 June 2015 are as follows:

	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	1,311	2,186	10,238	55	-	13,790
-Internal segment only	21	18	3,417	603	(4,059)	-
Total revenue	<u>1,332</u>	<u>2,204</u>	<u>13,655</u>	<u>658</u>	<u>(4,059)</u>	<u>13,790</u>
RESULT						
Segment Results	(281)	(42)	1,346	391	470	1,884
Interest income	-	-	2	1,905	(1,892)	15
Unallocated corporate expenses						(1,576)
Operating loss						323
Share of loss of associated companies						(12)
Finance costs						(4,384)
Loss before tax						(4,073)
Taxation						(38)
Loss after tax						<u>(4,111)</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 2014.

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 June 2015 up to the date of this announcement.

12. Changes in the composition of the Company

There were no significant changes in the composition of the Group for the current quarter ended 30 June 2015.

**Notes to the Second Quarter Report
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13. Capital commitments

There were no material capital commitments in respect of property, plant and equipment as at the current quarter ended 30 June 2015.

14. Contingent liabilities

Contingent liabilities for the Group are as stated below:

	As at 30-Jun-15 RM'000	As at 31-Dec-14 RM'000
Corporate guarantees for bank facilities granted to subsidiaries	53,754	52,675
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	6,011	5,743

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

15. Performance review

The Group reported a revenue of RM6.78 million for the current quarter under review (“Q2 2015”), showing a decrease of approximately RM2.82 million or 29.4% from RM9.60 million recorded in the preceding year’s corresponding quarter (“Q2 2014”).

The Group recorded a lower loss after income tax (“LAT”) of RM1.75 million in Q2 2015 as compared to the LAT of RM2.07 million reported in Q2 2014.

The decrease in revenue was mainly due to lower revenues generated from Temperature-Controlled Logistics (“TCL”) as a result of the exit of one of the significant client. However there is also reduction in costs of the ongoing operations resulting from the elimination of the specific costlier operations of this significant client. New clients have been sought and are progressively increasing the occupancy of the facilities.

16. Material change in quarterly results

The Group’s revenue from continuing operations for Q2 2015 was RM6.78 million as compared to RM7.01 million recorded in the immediate preceding quarter (“Q1 2015”), showing a decrease of 3.28%, mainly due to lower revenue generated from the TCL division.

The Group reported a LAT of RM1.75 million in Q2 2015 against a LAT from of RM2.36 million in Q1 2015. The lower LAT in Q2 2015 is due to the decrease of the cost of sales as well as administrative expenses.

17. Prospects for the current 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”). 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 and the timeline subsequently extended to 24 October 2015.

On the other hand, the Company and some of its subsidiaries had also entered into a debt restructuring agreement (“DRA II”) with their financial lenders on 6 February 2013 to settle/restructure the outstanding debts.

Based on the best knowledge of the board of directors of Haisan (“the Board”) under the present circumstances, the Regularisation Plan and the DRA II are both adequate to address the financial concerns of the Group that had caused the deterioration of its financial performance.

Moving forward, the Group will continue to explore opportunities related/complementary to its three (3) main business segments i.e. TCL, Engineering and Ice Manufacturing. Nevertheless, 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.

**Notes to the Second Quarter Report
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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 which was disclosed in the circular to shareholders dated 10 December 2013 are likely to be achieved.

19. Profit forecast

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

20. Taxation

	Current period RM’000	Financial period to-date RM’000
Malaysian tax		
Current taxation	49	98
Deferred taxation	(29)	(60)
	<u>20</u>	<u>38</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.

**Notes to the Second Quarter Report
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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:-

- (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.

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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 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.

On 10 February 2015, 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 June 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 11 February 2015, Bursa Securities had granted the Company an extension of time up to 24 June 2015 for the Company to implement its Regularisation Plan.

On 24 June 2015, PIVB had announced on behalf of the Company that Bursa Securities had vide its letter dated 24 June 2015, granted the Company an extension of time up to 24 October 2015 for the Company to implement its Regularisation Plan.

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- (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 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.

On 22 March 2014, PIVB had announced on behalf of the Company that pursuant to the correspondence from the solicitors of Haisan all the conditions precedents as set out in the SPA I and SPA II had been fulfilled. As such, the SPA I and SPA II had become unconditional.

On 9 February 2015, PIVB had announced on behalf of the Company that CBSB, HSS, HSH, HSII and IGLO-M had mutually agreed to extend the date of the completion of the Disposal I and Disposal II to 30 April 2015.

On 18 June 2015 and 19 June 2015, PIVB had announced on behalf of the Company that CBSB, HSS, HSH, HSII and IGLO-M had entered into a deed of rescission and revocation on 18 June 2015 to mutually agree not to continue with the Disposal I and Disposal II and due performance and observance of the SPA I, SPA II and Assignment Agreements as CBSB has not fulfilled the payment of the balance disposal consideration for the

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SPA I and SPA II within the stipulated timeframe. In view that the parties have decided not to continue with the Disposal I and Disposal II, the parties will not proceed with the Lease.

- (c) On 22 June 2015, PIVB on behalf of the Board, had announced that on even date, Haisan has accepted a letter of offer for the sale and leaseback of the seven (7) parcels of leasehold industrial land together with the buildings erected thereon, all located at Jalan Pelabuhan Utara, Bandar Sultan Suleiman, 42000 Pelabuhan Klang, Selangor (“Port Klang Properties”) from Axis REIT Managers Berhad (“Axis REIT Managers”) (the management company of Axis Real Estate Investment Trust (“Axis REIT”)), acting on behalf of RHB Trustees Berhad (as trustee for Axis REIT) (“Purchaser”) for a total cash consideration of RM46.00 million.

22. Group borrowings and debt securities

Total Group borrowings as at 30 June 2015 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Denominated in RM			
Term loan	13,718	-	13,718
Revolving credits	617	-	617
Bank overdraft	31,678	-	31,678
Hire purchase & lease payables	84	257	341
	46,097	257	46,354
Unsecured			
Denominated in RM			
Revolving credits	4,957	-	4,957
Bank overdraft	23,155	-	23,155
Term loan	37,087	-	37,087
	65,199	-	65,199
Secured			
Denominated in foreign currency (*)			
Revolving credits	USD 382,523	1,442	-
			1,442
Total	112,738	257	112,995

* translated using exchange rate as at 30 June 2015

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

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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 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) 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. During the case management held on 26 January 2015, the hearing dates set earlier are vacated as a new Judge would be hearing on the suit. The

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Deputy Registrar has set the matter for case management on 16 March 2015. The court has fixed the trial date from 5 October 2015 until 8 October 2015.

24. Loss per share

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
Loss attributable to equity holders for the period (RM'000)	(1,748)	(2,068)	(4,107)	(2,013)
Weighted average number of ordinary shares in issue ('000)	120,541	112,650	120,541	112,650
Basic loss per share (sen)	<u>(1.45)</u>	<u>(1.84)</u>	<u>(3.41)</u>	<u>(1.79)</u>

25. Dividend

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

26. Disclosure of realised and unrealised losses

The accumulated losses are analysed as follows:-

	As at	As at
	30-Jun-15	31-Dec-14
	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(28,987)	(25,222)
- Unrealised	3,240	3,300
	<u>(25,747)</u>	<u>(21,922)</u>
Total share of accumulated losses of associates		
- Realised	(205)	(193)
	<u>(25,952)</u>	<u>(22,115)</u>
Less: Consolidation adjustments	(55,301)	(55,031)
Accumulated losses as per financial statements	<u>(81,253)</u>	<u>(77,146)</u>

27. Loss before income tax

	Current	Financial period
	period	to-date
	RM'000	RM'000
Loss before income tax is arrived at after (charging)/crediting:		
Interest income	8	15
Reversal of impairment in property, plant and equipment	456	913
Gain on disposal of property, plant and equipment	7	7
Other income	94	126
Interest expense	(2,305)	(4,384)
Depreciation and amortization	(786)	(1,587)
Foreign exchange gain/(loss) (net)	39	397

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 August 2015.