

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER(S) IMMEDIATELY.** If you have sold or transferred all your shares in Harvest Court Industries Berhad ("HCIB" or the "Company"), you should immediately hand this Abridged Prospectus ("AP") together with the Notice of Provisional Allotment ("NPA") and Rights Subscription Form ("RSF") (collectively referred to as "Documents") to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue with Warrants (as defined herein) to our Share Registrar, Mega Corporate Services Sdn Bhd ("Share Registrar") at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Documents are only despatched to our shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on 30 July 2013 ("Entitlement Date") at their registered addresses in Malaysia. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue with Warrants will not be made or offered or deemed to be made or offered, as such, in any countries or jurisdictions other than Malaysia or to persons who are or may be subject to the laws of any countries or jurisdictions other than the laws of Malaysia. No action has been or will be taken to ensure that the Rights Issue with Warrants or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue with Warrants to which the Documents relate is only available to persons receiving the Documents within Malaysia. The Documents does not constitute an offer, solicitation or invitation to subscribe for the Rights Issue with Warrants in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither the Company nor TA Securities Holdings Berhad ("TA Securities") shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/transfer made by the Entitled Shareholders and/or their renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholder and/or his renounee(s) (if applicable) is a resident.

A copy of these Documents has been registered with the Securities Commission Malaysia ("SC"). The registration of these Documents should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in these Documents. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of these Documents has also been lodged with the Registrar of Companies who takes no responsibility for the contents.

Our shareholders have approved the Rights Issue with Warrants at the Extraordinary General Meeting held on 26 November 2012. Approval has also been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") via its letter dated 5 September 2012 for the admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares (as defined herein), Rights Warrants and the new HCIB Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities. The admission of the Warrants to the Official List of Bursa Securities and listing of and quotation for the Rights Shares, Warrants and the new HCIB Shares to be issued upon exercise of the Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of Entitled Shareholders and/or their renounee(s) (if applicable) have been duly credited and notices of allotment for the Rights Shares with Warrants have been despatched to them. The admission of the Warrants to the Official List of Bursa Securities and listing of and quotation for the Rights Shares, Warrants and the new HCIB Shares to be issued upon exercise of the Warrants are in no way reflective of the merits of the Rights Issue with Warrants. Neither Bursa Securities nor the SC takes any responsibility for the correctness of any statement made or opinions expressed herein.

Our Board of Directors has seen and approved all the documentation relating to this Rights Issue with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.

TA Securities, being the Principal Adviser, Managing Underwriter and Co-Underwriter for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

*All abbreviations used herein shall have the same meaning as those defined in the "Definitions" page of this AP unless stated otherwise.*



## HARVEST COURT INDUSTRIES BERHAD

(Company No: 36998-T)

(Incorporated in Malaysia under the Companies Act, 1965)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 66,357,824 NEW ORDINARY SHARES OF RM0.25 EACH IN HCIB ("HCIB SHARES" OR "SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.25 PER SHARE TOGETHER WITH UP TO 33,178,912 FREE DETACHABLE WARRANTS IN HCIB ("RIGHTS WARRANTS") ON THE BASIS OF TWO (2) RIGHTS SHARES AND ONE (1) RIGHTS WARRANT FOR EVERY SIX (6) EXISTING HCIB SHARES HELD AT 5.00 P.M. ON 30 JULY 2013**

**Principal Adviser, Managing Underwriter and Co-Underwriter**

**TA Securities Holdings Berhad**

(Company No. 14948-M)

A Participating Organisation of Bursa Malaysia Securities Berhad



**TA SECURITIES**

A MEMBER OF THE TA GROUP

**Co-Underwriter**



**sj securities sdn bhd**

A Participating Organisation of Bursa Malaysia Securities Berhad

### IMPORTANT RELEVANT DATES AND TIME

Entitlement date : 30 July 2013, at 5.00 p.m.

#### Last date and time for:-

Sale of provisional allotment of Rights Shares with Warrants : 6 August 2013, at 5.00 p.m.

Transfer of provisional allotment of Rights Shares with Warrants : 13 August 2013, at 4.00 p.m.

Acceptance and payment for Rights Shares with Warrants : 16 August 2013, at 5.00 p.m.\*

Excess application and payment : 16 August 2013, at 5.00 p.m.\*

\* or such later date and time as our Board of Directors may decide in its absolute discretion and announce not less than two (2) Market Days before the stipulated date and time

THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

SHAREHOLDERS/INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, SHAREHOLDERS/INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

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**DEFINITIONS**


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The following definitions shall apply for the purpose of this AP unless otherwise indicated:

“1GE”	:	1Green Enviro Sdn Bhd (921851-X)
“Act”	:	Companies Act, 1965 as amended from time to time and any re-enactment thereof
“Amendments”	:	Amendments to the Memorandum of Association of HCIB
“Abridged Prospectus” or “AP”	:	This Abridged Prospectus dated 30 July 2012
“BNM”	:	Bank Negara Malaysia
“Board”	:	The Board of Directors of HCIB
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (635998-W)
“CDS”	:	Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
“CDS Account(s)”	:	Account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities
“Circular”	:	The circular to shareholders dated 24 October 2012, issued by HCIB in relation to the Proposals
“CMSA”	:	Capital Markets and Services Act, 2007 as may be amended from time to time and any re-enactment thereof
“Datuk Raymond Chan”	:	Datuk Raymond Chan Boon Siew
“Deed Poll”	:	The deed poll dated 18 July 2013 constituting the Rights Warrants
“Documents”	:	The AP, NPA and RSF, collectively
“EBITDA”	:	Earnings before interest, taxation, depreciation and amortisation
“EGM”	:	Extraordinary General Meeting of HCIB
“Entitled Shareholder(s)”	:	Shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business on the Entitlement Date
“Entitlement Date”	:	30 July 2013 at 5.00 p.m., being the date and time on which the shareholders of the Company must be registered on the Record of Depositors of the Company in order to be entitled to the Rights Issue with Warrants
“EPS”/“LPS”	:	Earnings per share/Loss per share
“ESOS”	:	Employees’ share option scheme
“Existing Warrants”	:	70,760,472 outstanding Warrants 2009/2019 as at the LPD
“Excess Rights Share(s) with Warrants”	:	Rights Share(s) with Warrant(s) which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounee(s) prior to the Excess Application
“Excess Application(s)” or “Excess Rights Shares Application”	:	Application(s) for Excess Rights Share(s) with Warrant(s) in excess of an Entitled Shareholder’s entitlement under the Rights Issue as set out in Section 2.2 of this AP

**DEFINITIONS (Cont'd)**

“Full Subscription Level”	:	Assuming all the Entitled Shareholders of HCIB subscribe in full for their respective entitlements
“Foreign Addressed Shareholder(s)”	:	Our foreign shareholders who have not provided an address in Malaysia to the Share Registrar prior to the Entitlement Date
“FYE”	:	Financial year ended/ending, as the case may be
“HCIB”	:	Harvest Court Industries Berhad (36998-T)
“HCIB Group” or “the Group”	:	HCIB and its subsidiaries, collectively
“HCIB Share(s) or Share(s)”	:	Ordinary share(s) of RM0.25 each in HCIB
“Increase in the Authorised Share Capital”	:	Increase in the authorised share capital of HCIB from RM100,000,000 comprising 400,000,000 HCIB Shares to RM200,000,000 comprising 800,000,000 HCIB Shares
“Listing Requirements”	:	Main Market Listing Requirements issued by Bursa Securities
“LPD”	:	5 July 2013, being the latest practicable date prior to the registration of this AP with the SC
“Market Day(s)”	:	Any day between Monday to Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
“Minimum Subscription Level”	:	Issuance of 27,613,232 Rights Shares at an issue price of RM0.25 per share, together with 13,806,616 free detachable Rights Warrants
“NA”	:	Net assets
“New Warrant(s) or Rights Warrant(s)”	:	Up to 33,178,912 new free detachable warrants to be issued pursuant to the Rights Issue with Warrants
“NPA”	:	Notice of Provisional Allotment
“Official List”	:	A list specifying all securities which have been admitted for the listing on Bursa Securities
“Outstanding ESOS Options”	:	The outstanding 439,900 ESOS options as at the LPD which entitle the holders the right to subscribe for 439,900 new HCIB Shares
“PAT”/“LAT”	:	Profit after taxation/Loss after taxation
“PATMI”	:	Profit after taxation and minority interests
“PBT”/“LBT”	:	Profit before taxation/Loss before taxation
“Record of Depositors”	:	A record of securities holders established and maintained by Bursa Depository
“Registered Office”	:	Registered office of HCIB bearing the address of Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur
“Rights Issue with Warrants”	:	Renounceable rights issue of up to 66,357,824 Rights Shares together with up to 33,178,912 free detachable warrants on the basis of two (2) Rights Shares and one (1) Rights Warrant for every six (6) HCIB Shares held as at the Entitlement Date

**DEFINITIONS (Cont'd)**

“Rights Shares”	:	Up to 66,357,824 new HCIB Shares to be issued pursuant to the Rights Issue with Warrants
“RM” and “Sen”	:	Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia
“RSF”	:	Rights Subscription Form
“Rules of Bursa Depository”	:	The Rules of Bursa Depository as issued pursuant to the SICDA, including any amendments thereto that may be made from time to time
“Sagajuta”	:	Sagajuta (Sabah) Sdn Bhd (483576-K)
“SC”	:	Securities Commission Malaysia
“Share Registrar”	:	Mega Corporate Services Sdn Bhd (87984-H)
“SICDA”	:	Securities Industry (Central Depositories) Act, 1991 as may be amended from time to time and any re-enactment thereof
“TA Securities” or “Adviser”	:	TA Securities Holdings Berhad (14948-M), a Participating Organisation of Bursa Securities
“Undertaking Parties”	:	Datuk Raymond Chan and Ng Wai Han
“Underwriters”	:	TA Securities Holdings Berhad (14948-M) and SJ Securities Sdn Bhd (141671-T), collectively
“Underwriting Agreement”	:	The underwriting agreement dated 16 July 2013 between the HCIB Group and the Underwriters in relation to the Rights Issue with Warrants
“USD”	:	United States Dollars
“VWAMP”	:	Volume-weighted average market price
“Warrants 2009/2019”	:	70,760,472 warrants which was issued on 20 November 2009 in conjunction with the previous rights issue exercise which was completed on 1 December 2009 and expiring on 19 November 2019

All references to “the Company” and/or “HCIB” in this AP are to Harvest Court Industries Berhad. References to “the Group” and/or “HCIB Group” are to HCIB and its subsidiaries and references to “we”, “us”, “our” and “ourselves” are to HCIB and where the context does require, shall include its subsidiaries.

All references to “you” in this AP are to the Entitled Shareholders of our Company.

Words referring to the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and *vice versa*. Reference to person shall include corporations.

Any reference in the AP to any enactment is a reference to that enactment and as may be amended from time to time and any re-enactment thereof. Any discrepancy in the tables between the amounts listed and the totals in the AP are due to rounding. Any references to a time of day or date in this AP shall be a reference to Malaysian time or date respectively, unless otherwise stated.

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name/Designation</b>	<b>Address</b>	<b>Age</b>	<b>Nationality</b>	<b>Profession</b>
Dato' Mohamed Amir Abas Bin Zainal Azim <i>(Independent Non-Executive Chairman)</i>	72, Jalan Burhanuddin Helmi Dua Taman Tun Dr. Ismail 60000 Kuala Lumpur	63	Malaysian	Company Chairman
Datuk Raymond Chan Boon Siew <i>(Managing Director and Chief Executive Officer)</i>	11A, Jalan USJ 18/2A 47630 Subang Jaya Selangor Darul Ehsan	41	Malaysian	Managing Director and Chief Executive Officer
Ng Wai Han <i>(Executive Director)</i>	Indera Subang Condominium Block A, #3A-02, Jalan USJ 6/2L UEP Subang Jaya 47610 Subang Jaya, Selangor	42	Malaysian	Company Director
Zainuri Bin Zainal <i>(Independent Non-Executive Director)</i>	No. 50, Jln 7 Kg. Idaman Pandamaran 42000 Pelabuhan Klang Selangor Darul Ehsan	40	Malaysian	Company Director
Chua Eng Chin <i>(Independent Non-Executive Director)</i>	259, Lorong S2A7/6 Green Street Homes Seremban 2, 70300 Seremban Negeri Sembilan	54	Malaysian	Company Director
Datuk Tan Choon Hwa (JMK, JP) <i>(Independent Non-Executive Director)</i>	No. 1771 Taman Paya Bemban Jalan Hospital 15200 Kota Bharu, Kelantan	56	Malaysian	Company Director
Woo Mun Chee <i>(Independent Non-Executive Director)</i>	No. 108, Jalan Sri Petaling 2 Bandar Baru Sri Petaling 57000 Kuala Lumpur	60	Malaysian	Company Director

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Chua Eng Chin	Chairman	Independent Non-Executive Director
Dato' Mohamed Amir Abas Bin Zainal Azim	Member	Independent Non-Executive Chairman
Zainuri Bin Zainal	Member	Independent Non-Executive Director

**COMPANY SECRETARIES**

: Tan Tong Lang (MAICSA 7045482)  
Chong Voon Wah (MAICSA 7055003)  
Suite 10.03, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia  
Tel. No.: 603-2279 3080  
Fax No.: 603-2279 3090



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**CORPORATE DIRECTORY (Cont'd)**

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- REGISTERED OFFICE** : Suite 10.03, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkarān Syed Putra  
59200 Kuala Lumpur  
Malaysia  
Tel. No.: 603-2279 3080  
Fax No.: 603-2279 3090
- MANAGEMENT OFFICE** : Lot 450, Jalan Papan  
Pandamarān Industries Area  
42000 Port Klang  
Selangor Darul Ehsan  
Malaysia  
Tel. No.: 603-3165 2218  
Fax No.: 603-3168 1336  
  
Website: [www.harvestcourt.com](http://www.harvestcourt.com)  
Email: [hvest99@gmail.com](mailto:hvest99@gmail.com) (Marketing)  
[hvest99@yahoo.com](mailto:hvest99@yahoo.com) (Management)
- AUDITORS AND REPORTING ACCOUNTANTS FOR THE RIGHTS ISSUE WITH WARRANTS** : UHY (AF1411)  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City, Lingkarān Syed Putra  
59200 Kuala Lumpur  
Malaysia  
Tel. No.: 603-2279 3088  
Fax No.: 603-2279 3099
- PRINCIPAL BANKERS** : Malayan Banking Berhad (Company No.: 3813-K)  
Suite 1.01 Level 1,  
Intan Millenium Square  
68 Jalan Batai Laut 4  
Taman Intan  
41300 Klang  
Tel. No.: 03-33453540  
Fax No.: 03-33415959  
  
CIMB Bank Berhad (Company No.: 13491-P)  
108 Persiarān Raja Muda Musa KS4  
42000 Port Klang  
Selangor  
Tel. No.: 03-31680924  
Fax No.: 03-31682299  
  
United Overseas Bank (Malaysia) Berhad (Company No.: 271809-K)  
Level 11, Menara UOB  
Jalan Raja Laut  
50738 Kuala Lumpur  
Tel. No.: 03-26927722  
Fax No.: 03-26916073
- SHARE REGISTRAR** : Mega Corporate Services Sdn Bhd  
Level 15-2, Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
Tel. No.: 603-2692 4271  
Fax No.: 603-2732 5388

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**CORPORATE DIRECTORY (Cont'd)**

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- SOLICITOR FOR THE RIGHTS  
ISSUE WITH WARRANTS** : Messrs. Tay & Helen Wong  
Law Practice  
Suite 703, Block F, Phileo Damansara I  
No. 9, Jalan 16/11  
46350 Petaling Jaya  
Selangor Darul Ehsan  
Tel. No.: 603-7960 1863  
Fax No.: 603-7960 1873
- PRINCIPAL ADVISER,  
MANAGING UNDERWRITER AND  
CO-UNDERWRITER** : TA Securities Holdings Berhad (Company No.: 14948-M)  
28<sup>th</sup> Floor, Menara TA One  
22, Jalan P.Ramlee  
50250 Kuala Lumpur  
Tel. No.: 603-2072 1277  
Fax No.: 603-2026 7241
- CO-UNDERWRITER** : SJ Securities Sdn Bhd (Company No.:141671-T)  
Ground Floor,  
The Podium, Wisma Synergy,  
72, Pesiaran Jubli Perak,  
Seksyen 22,  
40000 Shah Alam,  
Selangor Darul Ehsan  
Tel. No.: 603-5192 0202  
Fax No.: 603-5192 7208
- STOCK EXCHANGE LISTING** : Main Market of Bursa Securities

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HARVEST COURT INDUSTRIES BERHAD  
(Company No: 36998-T)  
(Incorporated in Malaysia)

**Registered Office:**  
Suite 10.03, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

30 July 2013

**Board of Directors:**

Dato' Mohamed Amir Abas Bin Zainal Azim (*Independent Non-Executive Chairman*)  
Datuk Raymond Chan Boon Siew (*Managing Director and Chief Executive Officer*)  
Ng Wai Han (*Executive Director*)  
Zainuri Bin Zainal (*Independent Non-Executive Director*)  
Chua Eng Chin (*Independent Non-Executive Director*)  
Datuk Tan Choon Hwa (JMK, JP) (*Independent Non-Executive Director*)  
Woo Mun Chee (*Independent Non-Executive Director*)

**To: Our Entitled Shareholders**

Dear Sir/Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 66,357,824 RIGHTS SHARES TOGETHER WITH UP TO 33,178,912 FREE DETACHABLE WARRANTS ON THE BASIS OF TWO (2) RIGHTS SHARES AND ONE (1) RIGHTS WARRANT FOR EVERY SIX (6) HCIB SHARES HELD AS AT 5.00 P.M. ON 30 JULY 2013**

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**1. INTRODUCTION**

On 13 July 2011, TA Securities had, on behalf of the Board announced that the Company proposed to undertake a renounceable rights issue of up to 82,291,281 new HCIB Shares at an issue price of RM0.25 per share together with up to 41,145,641 Rights Warrants on the basis of two (2) Rights Shares and one (1) Rights Warrant for every six (6) HCIB Shares held as at the Entitlement Date.

On 12 July 2012, TA Securities had, on behalf of the Board announced a variation to the proposed renounceable rights issue of up to 92,462,779 Rights Shares with up to 46,231,390 free detachable warrants on the basis of two (2) Rights Shares and one (1) Rights Warrant for every six (6) HCIB Shares held as at the Entitlement Date. In addition, TA Securities had also on behalf of the Board announced that the Company wishes to undertake the Increase in the Authorised Share Capital and Amendments.

On 6 August 2012, TA Securities had, on behalf of the Board announced the submission of the application to BNM for the issuance of the Rights Warrants to non-residents of Malaysia. On 30 August 2012, TA Securities, on behalf of the Company announced the receipt of approval from BNM vide its letter dated 23 August 2012.

On 7 September 2012, TA Securities had, on behalf of the Board announced that Bursa Securities vide its letter dated 5 September 2012 approved the following:-

- (i) admission to the Official List and the listing and quotation of up to 46,231,390 New Warrants to be issued pursuant to the Rights Issue with Warrants;
- (ii) listing and quotation of up to 92,462,779 new HCIB Shares to be issued pursuant to the Rights Issue with Warrants;
- (iii) listing and quotation of up to 46,231,390 HCIB Shares to be issued pursuant to the exercise of New Warrants;
- (iv) listing and quotation of up to 14,437,984 additional Warrants 2009/2019 to be issued arising from adjustment pursuant to the Rights Issue with Warrants; and
- (v) listing and quotation of up to 14,437,984 HCIB Shares to be issued pursuant to the exercise of additional Warrants 2009/2019.

The approval of Bursa Securities for the Rights Issue with Warrants is subject to the following conditions:-

Conditions imposed		Status of compliance
1.	HCIB and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants;	To be met
2.	HCIB and TA Securities to inform Bursa Securities upon completion of the Rights Issue;	To be met
3.	HCIB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed;	To be met
4.	HCIB to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of New Warrants and Warrants 2009/2019 as at the end of each quarter together with a details computation of listing fees payable; and	To be met
5.	To incorporate Bursa Securities' comments in respect of the draft circular to shareholders provided in the attachment.	Met

On 26 November 2012, our shareholders approved the Rights Issue with Warrants as well as the Increase in the Authorised Share Capital and Amendments. A certified true extract of the ordinary resolution pertaining to the Rights Issue with Warrants passed at the aforesaid EGM is set out in Appendix I of this AP.

On 16 July 2013, TA Securities, on behalf of the Board, announced the following:-

- (i) that the Entitlement Date had been fixed as at the close of business at 5.00 P.M. on 30 July 2013;
- (ii) that the Company had on 16 July 2013, entered into an underwriting agreement with the Underwriters, to underwrite up to 5,200,002 Right Shares, representing 18.83% of the total issue size of the Rights Issue with Warrants under the Minimum Subscription Level, for which no unconditional and irrevocable written undertaking to subscribe has been obtained from other shareholders and 2.61% of the total issue size of the Rights Issue with Warrants under the Full Subscription Level; and

- (iii) that the Board has resolved to revise the utilisation of proceeds as set out in the circular to shareholders dated 24 October 2012. Kindly refer to Section 4 for the revised utilisation of proceeds.

On 18 July 2013, TA Securities, on behalf of our Board, also announced that the Deed Poll was executed on 18 July 2013.

The Company had completed a private placement of 16,700,000 HCIB Shares which was listed on the Main Market of Bursa Securities on 19 July 2012 ("Private Placement"). Following the completion of the Private Placement, and on the assumption that the Outstanding ESOS Options and Warrants 2009/2019 are fully exercised prior to the implementation of the Rights Issue with Warrants, the rights issue would entail a renounceable rights issue of up to 90,091,282 Rights Shares and up to 45,045,641 Rights Warrants in HCIB.

However, as at the Entitlement Date, the Outstanding ESOS Options and Warrants 2009/2019 remain unexercised. Hence, the issued and paid-up capital of HCIB stood at 199,073,473 HCIB Shares as at the Entitlement Date. In this regard, the renounceable rights issue entails an issue of up to 66,357,824 Rights Shares together with up to 33,178,912 free detachable warrants on the basis of two (2) Rights Shares and one (1) Rights Warrant for every six (6) HCIB Shares held as at 5.00 p.m. on 30 July 2013.

As an Entitled Shareholder, you will find enclosed with this AP, the NPA setting out the number of Rights Shares with Rights Warrants which you are entitled to subscribe for under the terms of the Rights Issue with Warrants and the RSF which is to be used for acceptance of the Rights Shares with Rights Warrants provisionally allotted to you and for application for any Excess Rights Shares with Warrants, should you wish to do so. The provisionally allotted Rights Shares with Rights Warrants will be duly credited into your CDS account under the terms of the Rights Issue with Warrants. The Rights Shares that are not taken up for any reason, if any, will be made available for application under the Excess Rights Shares Application.

No person is authorised to give any information or to make any representation not contained in this AP in connection with or in relation to the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us and/or TA Securities. The delivery of this AP shall under no circumstances constitute a representation or create any implication that there has been no material change in the affairs of our Company or any of our subsidiary companies since the date of this AP.

Save for the Rights Issue with Warrants, our Board has confirmed that as at the LPD, HCIB does not have any other intended corporate proposal which have been approved by regulatory authorities that are pending implementation.

**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER(S) IMMEDIATELY.**

## **2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS**

### **2.1 Particulars**

In accordance with the terms of the Rights Issue with Warrants as approved by the shareholders at our EGM held on 26 November 2012, and subject to the terms of the Documents, the Company shall provisionally issue up to 66,357,824 Rights Shares with up to 33,178,912 Rights Warrants on the basis of two (2) Rights Shares and one (1) Right Warrant for every six (6) HCIB Shares held by the Entitled Shareholders of the Company whose name appear in the Record of Depositors of the Company as at the Entitlement Date.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe and/or renounce their entitlements of the Rights Shares in full or in part. Entitled Shareholders who renounce all or part of their entitlements to the Rights Shares shall be deemed to have renounced the accompanying entitlement to the Warrants. If an Entitled Shareholder decides to accept only part of his/her entitlement to the Rights Shares, he/she shall be entitled to the Warrants in the proportion of his/her acceptance to his/her entitlement to the Rights Shares.

For the avoidance of doubt, the Warrants are attached to the Rights Shares for no additional payment and will be issued only to the Entitled Shareholders and/or their renounee(s) if applicable who subscribe for the Rights Shares. The Rights Shares and the Rights Warrants are not separately renounceable. The Rights Warrants shall be immediately detached from the Rights Shares upon issuance and shall be separately traded on Bursa Securities.

Any unsubscribed Rights Shares will be made available to the other Entitled Shareholders and/or their renounee(s) under the Excess Application. It is the intention of the Board to allocate the Excess Rights Shares with Warrants in a fair and equitable manner and on a basis as set out in Section 2.4 below.

In determining the Entitled Shareholders' entitlements under the Rights Issue with Warrants, fractional entitlements, if any, shall be disregarded, and dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient and in the best interest of HCIB.

As an Entitled Shareholder, you will find enclosed with this AP, a NPA setting out the number of Rights Shares for which you are entitled to subscribe for under the terms of the Rights Issue with Warrants and a RSF, which is to be used for the acceptance of Rights Shares provisionally allotted to you, as well as to apply for the Excess Rights Shares with Warrants if you choose to do so.

The Rights Issue with Warrants shall be undertaken on a Minimum Subscription Level Basis which is RM6,903,308 and was determined based on the minimum expected level of funds to be raised from the Rights Issue with Warrants for the purposes set out in Section 3 of this AP. Details of the irrevocable written undertakings procured from certain shareholders of our Company are set out in Section 9 of this AP.

Any dealing in our securities will be subject to the provisions of the SICDA, the rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares and Rights Warrants, will upon allotment and issue, be credited directly to the respective CDS accounts of the successful applicants. No physical share certificate or warrant certificate will be issued to the Entitled Shareholders and/or their renounee(s) (if applicable) nor will any physical share certificate be issued for the new HCIB Shares to be issued upon exercise of the Warrants.

## **2.2 Basis of Arriving at the Issue Price of the Rights Shares**

The issue price of RM0.25 for every Rights Share was determined on 13 July 2011, being the date of the first announcement of the Rights Issue with Warrants and was arrived at after taking into consideration the following: -

- (a) par value of the HCIB Shares of RM0.25 each; and
- (b) 5-day VWAMP of HCIB Shares up to 12 July 2011 (being the Market Day preceding the date of the first announcement on the Rights Issue with Warrants) of RM0.09 per HCIB Share. The Issue Price represents a premium of approximately 177.78% over the 5-day VWAMP.

There has been no change in the basis of arriving at the issue price of the Right Shares to-date.

### 2.3 Ranking of the Rights Shares and the new HCIB Shares arising from the exercise of the Rights Warrants

The Rights Shares shall upon allotment and issue, rank *pari passu* in all respects with the then issued and paid-up HCIB Shares, except that the Rights Shares shall not be entitled to any dividends, rights, allotment and/or distributions, the Entitlement Date of which is prior to the date of allotment of the Rights Shares.

The new HCIB Shares to be issued arising from the exercise of the Rights Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing HCIB Shares except that they shall not be entitled to any dividends, rights, allotment and/or distributions, the Entitlement Date of which is prior to the date of allotment of the new HCIB Shares.

### 2.4 Excess Application

Our Board reserves the right to allot any Excess Rights Shares with Warrants applied for in a fair and equitable manner, as it deems fit and expedient in the best interest of our Company. As such, it is the intention of our Board to allot the Excess Rights Shares with Warrants in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders and/or renounee(s) who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on their acceptance of the Rights Shares; and
- (iii) thirdly, for allocation to the Entitled Shareholders and/or renounee(s) who have accepted the Rights Shares based on (ii) above, who have applied for the Excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares with Warrants application.

Nevertheless, our Board reserves the right to allot any application for Excess Rights Shares with Warrants, in full or in part, and on such basis as it deems fit or expedient in the best interest of our Company and in a fair and equitable manner.

### 2.5 Salient Terms of the Rights Warrants

Issuer	:	HCIB.
Number of Warrants	:	Up to 33,178,912 Rights Warrants to be issued in conjunction with the Rights Issue with Warrants.
Form and denomination	:	The Rights Warrants are detachable from the Rights Share on issue thereof and will be traded separately on the Main Market of Bursa Malaysia Securities Berhad. The Rights Warrants will be issued in registered form and constituted by a Deed Poll.
Issue Price	:	The Rights Warrants are to be issued for no additional payment to the Entitled Shareholders or renounee(s) who subscribe for the Rights Shares.

Exercise Period	:	The period commencing on and including the date of issue of the Rights Warrants and ending at the close of business at Malaysian time of 5.00 p.m. on a date which is ten (10) years from the date of issue of the Warrants, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day, but excluding the three (3) clear Market Days prior to a book closure date or Entitlement Date announced by the Company and those days during that period on which the Record of Depositors and/or the warrant register is or are closed. Any Rights Warrants not exercised at the close of business of the Expiry Date will lapse and become null and void.
Exercise Price	:	The exercise price of the Rights Warrants is RM0.25 each and is subject to the adjustments in accordance with the terms and provisions of the Deed Poll.
Exercise Rights	:	Each Rights Warrant carries the entitlement, at any time during the Exercise Period to subscribe for one (1) new HCIB Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
Tradability and Board Lot	:	The Rights Warrants are tradable upon listing and for purposes of trading on Bursa Securities, one (1) board lot of Rights Warrants shall comprise of one hundred (100) Rights Warrants carrying rights to subscribe for one hundred (100) new HCIB Shares at any time during the Exercise Period or such denomination as permitted by Bursa Securities.
Mode of exercise	:	The registered holder of a Rights Warrant is required to complete and sign the exercise form (which shall be irrevocable), as set out in the Deed Poll and deliver the same to our Company's registrar, duly completed, signed and stamped together with the payment of the Exercise Price in Ringgit Malaysia by way of banker's draft or cashier's order drawn on a bank in Malaysia or by money order or postal order issued by a post office in Malaysia in favour of " <b>HCIB WARRANTS ACCOUNT</b> " for the amount equal to the exercise money for the total number of new HCIB Shares in respect of which the Exercise Rights are being exercised; provided that any exercise of warrants must comply with exchange control regulations and requirements imposed by Bank Negara Malaysia or other prevailing statutory requirements for the time being applicable.
Ranking of new HCIB Shares to be issued pursuant to the exercise of the Warrants	:	The new HCIB Shares to be issued arising from the exercise of the Rights Warrants shall, on allotment and issue, rank <i>pari passu</i> in all respects with the then existing HCIB Shares save and except that the new HCIB Shares will not be entitled to any dividends, rights, allotment and/or other distributions, the Entitlement Date of which precedes or falls on the date of allotment of the new HCIB Shares, and will be subject to all the provisions of the Articles of Association of HCIB.



Listing	:	The Company had obtained the approval of the Bursa Securities on 5 September 2012 for the Rights Issue with Warrants, for the admission of the New Warrants to the Official List of Bursa Securities, Bursa Securities' approval in-principle for the listing of and quotation for the New Warrants and such new HCIB Shares to be issued upon exercise of the New Warrants and the approval from BNM for the issuance of New Warrants to non-resident shareholders of the Company on 23 August 2012. As a condition for listing, Bursa Securities has prescribed the Warrants under Section 14(1) of the SICDA and as such the New Warrants will have to be deposited with Bursa Depository under Section 38(1) of the SICDA.
Rights of the Warrants	:	The Rights Warrant holders are not entitled to any voting rights in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless such registered holder of a Rights Warrant exercises their New Warrants for the new HCIB Shares.
Adjustments to the Exercise Price and number of Warrants	:	The Exercise Price and/or the number of unexercised Rights Warrants shall be adjusted in the event of alteration to the share capital, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.
Rights in the event of winding up, liquidation, compromise and/or arrangement	:	Where a resolution has been passed for members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then every Rights Warrant holder shall be entitled upon and subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within six (6) weeks after the granting of the court order approving compromise or arrangement, as the case may be, by the irrevocable surrender of his/her Rights Warrants to the Company, submit the duly completed exercise form authorising the debiting of his deposited New Warrants from his/her CDS Account together with payment of the relevant Exercise Price by banker's draft (such payment being free of any foreign exchange commission, remittance charges, or other deductions), to elect to be treated as if he/she had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the Exercise Rights represented by such Rights Warrants to the extent specified in the exercise forms and be entitled to receive out of the assets of the Company which would be available in liquidation if he/she had on such date been the holder of the new HCIB Shares to which he/she would have become entitled pursuant to such exercise and the liquidation of the Company will give effect to such election accordingly.
Governing Law	:	The New Warrants are governed by and will be construed in accordance with the Laws of Malaysia.

Modifications	: (i) Subject to Clauses (ii) and (iii) below, any modification to the Deed Poll may be effected only by deed, executed by the Company and expressed to be supplemental thereto and complying with the requirements with the conditions to be stated in the Deed Poll. A memorandum of every such supplemental deed shall be endorsed on the Deed Poll. Notice of every modification to the Deed Poll shall be given to the Warrant Holders in accordance with the conditions to be stated in the Deed Poll and to Bursa Securities and such modification shall be binding on the Warrants Holders.
	(ii) The Company may from time to time without the consent or sanction of the Warrant Holders make any modifications to these presents which, in the opinion of the Company, is not materially prejudicial to the interests of the Warrant Holders or is to correct a manifest error or is to comply with mandatory provisions of the laws of Malaysia. Save as aforesaid, all or any of the rights for the time being attached to the Warrants may, with the concurrence of the Company, from time to time (whether or not the Company is being wound-up), be altered or abrogated with the consent or agreement of the Warrant Holders.
	(iii) Any amendment, alteration or modification to the Deed Poll shall require the approvals of the relevant authorities (if required).

### 3. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

The Rights Issue with Warrants will enable HCIB Group to raise funds to undertake the construction projects and as working capital for the manufacturing of timber doors. The details of the utilisation of proceeds are set out in Section 4 of this AP.

After due consideration of the various fund raising methods available, the Board is of the view that the Rights Issue with Warrants is the most appropriate avenue of fund raising after taking into consideration, amongst others, that the Rights Issue with Warrants:-

- (i) enables the HCIB Group to raise additional funds without incurring interest cost, compared to a conventional bank borrowings. The base lending rate of commercial banks in Malaysia is 6.53% for the past twelve (12) months from June 2012 up to May 2013 (*Source: Bank Negara Malaysia*);
- (ii) increases the size and strength of the Company's shareholders' funds and potentially increasing the liquidity of the HCIB Shares;
- (iii) provides an opportunity for the Entitled Shareholders to further increase their equity participation in the Company through the subscription of the Rights Shares and the exercise of the Rights Warrants, which correspondingly increases their participation in the prospects and future growth of the HCIB Group; and

- (iv) the Rights Warrants which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for their Rights Shares. Subscription to the Rights Shares and accordingly the Rights Warrants would enable the Entitled Shareholders to benefit from any potential capital appreciation arising thereof.

#### 4. UTILISATION OF PROCEEDS

Based on the Minimum Subscription Level, the gross proceeds arising from the Rights Issue with Warrants (based on issue price of RM0.25 per Rights Share) are expected to be utilised as follows:-

Proposed Utilisation	Expected time frame for utilisation of proceeds from the date of listing of the Rights Shares	Minimum Subscription Level (RM'000)	Full Subscription Level (RM'000)
Repayment of bank borrowings	Within 3 months	-	64
Working capital of HCIB and its subsidiaries <sup>(1)</sup>	Within 1 year	6,103	15,726
Defrayal of estimated expenses <sup>(2)</sup>	Within 3 months	800	800
<b>Total</b>		<b>6,903</b>	<b>16,590</b>

Notes:-

- (1) The working capital shall be utilised for the construction and timber door segments, the breakdown of which is set out as follows:-

Subscription scenario	Allocated Amount		Time Frame	
	Minimum (RM'000)	Full (RM'000)	Minimum	Full
Construction*	4,272	11,008	6 months	12 months
Timber Door	1,831	4,718	6 months	12 months
<b>Total</b>	<b>6,103</b>	<b>15,726</b>		

- (2) The defrayal of estimated expenses of approximately RM800,000 among others, professional fees and fees payable to the relevant authorities. Any variation in the actual amount of the expenses for the Rights Issue with Warrants will be allocated for working capital purposes.

\* HCIB is involved in construction and interior design fit up works and related maintenance services, development of residential and commercial properties

Cash proceeds to be received from the exercise of the Rights Warrants from time to time shall be utilised as working capital of the Group.

#### 5. RISK FACTORS

In addition to other information contained in this AP, you should carefully consider the following risk factors before subscribing for or investing in the Rights Issue with Warrants. You should note that these risk factors are not exhaustive. There may be additional risk factors, which are not disclosed below, that are not presently known to us or that we currently deem to be less significant, which may materially and adversely affect our business, financial condition, results of operations and prospects.

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## 5.1 Risks relating to the Rights Issue with Warrants

### 5.1.1 Investment Risks

The market price of HCIB Shares on Bursa Securities is dependent on or influenced by, amongst others, prevailing stock market sentiment, the volatility of the stock market, movement in interest rates, future profitability of our Group and the outlook of the industry in which our Group operates and our financial performance. Subsequent to the Rights Issue with Warrants, the market price of HCIB Shares will be adjusted to take into account the additional number of shares issued. There is no assurance that the market price of HCIB Shares will be maintained at any particular level subsequent to the Rights Issue with Warrants.

### 5.1.2 Delay In or Abortion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:-

- (a) *Force majeure* events or events/circumstances, which are beyond the control of our Company and Adviser, arising prior to the implementation of the Rights Issue with Warrants;
- (b) our Undertaking Parties as set out in Section 9.1 below to subscribe for the Rights Issue with Warrants may not fulfil or be able to fulfil its obligation; or
- (c) failure of the Underwriter to honour its obligation pursuant to the terms and conditions in the Underwriting Agreement.

In the event the Rights Issue with Warrants is aborted, all the subscription/application monies received pursuant to the Rights Issue with Warrants will be refunded to the subscribing Entitled Shareholders and/or their renounee(s), if applicable, without interest, or with interest if the application monies are not refunded within fourteen (14) days after our Company become liable to repay, in accordance with the provision of Section 243(2) of the CMSA.

We will exercise our best endeavour to ensure that the Rights Issue with Warrants is successfully implemented. However, there can be no assurance that the above events will not occur and cause the delay or abortion of the Rights Issue with Warrants.

### 5.1.3 Capital Market Risks

The performance of our local bourse is influenced by external factors such as the performance of regional and world bourses, flow of foreign funds and prices of certain commodities. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country, interest rates, foreign exchange policies as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding risk to the market price of HCIB Shares.

Notwithstanding this, it should be noted that our financial performance is not dependent on and has no direct correlation with the performance of the local as well as other bourses.

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## **5.2 Risks relating to our Group**

### **5.2.1 Business Risks**

Our Group is principally involved in the timber and construction industries. Our Group is not insulated from the general business risk as well as risks inherent in the various industries to which it provides services to. These may include shortages of equipment, materials, labour, rising cost due to inflation, labour disputes, adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems. Any of these could give rise to delays in the completion of relevant project or cost overrun.

We seek to mitigate these risks through, among others, constantly anticipating our needs through diligent costing, back-to-back quotation from suppliers during bids, monitor the viability of a project and the financial strength of the clients. In addition, we also seek to limit business risk by regularly monitoring our debtors' position, nurturing and maintaining good business relationship with our customers and suppliers as well as constant monitoring of our expenditures.

### **5.2.2 Industry Competition**

The timber industry in general is characterized by intense competition and competitive factors that vary by project and geographical region. HCIB faces competition from local and overseas manufacturers, especially internationally recognized manufacturers from timber doors division. Many of the competitors are large companies with international links that have substantial capital and marketing resources, and some of these competitors are larger than our Group and may have access to capital at a lower cost.

Although the Group has diversified into the construction business, HCIB Group will still face competition from other construction companies. The competitiveness of the Group is dependent on the ability of its management to secure construction contracts from clients and to deliver within the required quality and timeline.

Notwithstanding the above, our Group will continue to take necessary steps to ensure quality products and services and develop innovative solutions to remain competitive.

### **5.2.3 Political, Economic and Regulatory Risks**

Similar to all types of businesses, political and economic conditions as well as regulatory developments in Malaysia could have a material effect on HCIB Group's future prospect and consequently the financial performance of HCIB Group. Adverse political, economic and/or regulatory conditions or development include but are not limited to risk of war, change in political leadership and environment, unfavorable changes in government policies, laws and legislation, nationalisation, changes in interest rates, changes in methods of taxation, changes in foreign exchange rates, economic recession and hyperinflation.

While HCIB Group continues to take measures to mitigate these risks including close monitoring of the relevant government's masterplan in respect of long term economic and development policies so that it can stay ahead as well as capitalise on any regulatory changes in the industries that our Group operates, there can be no assurance that any changes to the political, economic and regulatory factors will not have a material and adverse effect on the business and prospects of our Group.

#### 5.2.4 Completion Risks

The timely completion of the timber doors production and construction projects to be undertaken by HCIB Group is dependent on various external factors including, *inter alia*, the timely receipt of requisite licenses, permits or regulatory approvals, availability of construction/building materials, equipment and labour, availability of financing and satisfactory performance of any sub-contractors appointed. Unseasonable wet weather may also delay the timely completion of construction projects.

HCIB Group may also face major disruption to business operations due to uncontrollable external factors such as strikes, fire, explosion, energy crisis, flooding, sabotage, civil commotion, war and other calamities.

Adverse developments in respect of these factors can lead to interruptions or delays in completing a project, which can consequently result in cost overruns, claims for liquidated and ascertained damages by our customers that affect HCIB Group's profitability and cash flows. HCIB Group will seek to limit this risk by careful planning and close monitoring of project progress.

#### 5.2.5 Credit Risks

Similar to all construction companies, HCIB Group faces the risk of bad debts in the event that Sagajuta, 1GE and any other future customers are unable to meet their payment obligations to Harvest Court Construction Sdn Bhd (formerly known as Harvest Court Development Sdn Bhd) under the 1 Sulaman Project ("1Sulaman"), the 1Green Enviro Project ("1GE Project") and the 1 Likas Project ("1 Likas") and future construction contracts to be secured. The Board seeks to mitigate such risk by assessing the credit profile of HCIB Group's potential construction clients to ensure that the Group takes on jobs from clients with good credit rating.

#### 5.2.6 Foreign Exchange Rate Fluctuations

HCIB Group has business dealings with overseas clients and as such, is exposed to foreign exchange risk primarily through sales and purchases that are denominated in a currency other than the functional currency of Malaysia. The currencies that give rise to this risk are primarily USD. There can be no assurance that any changes to the political, economic and regulatory factors will not have a material and adverse effect on the business and prospects of the Group.

Our management strives to constantly monitor the developments of our foreign currency exposure and will take necessary steps to minimize their impact, if any are anticipated, through the use of natural hedge and financial instruments such as derivatives.

### 5.3 Forward-looking Statements

Certain statements in this AP are based on historical data which may not be reflective of future results and others are forward-looking in nature which is subject to uncertainties and contingencies. All forward looking statements are based on forecasts and assumptions made by our Company, unless otherwise stated, and although our Board believes these forward looking statements to be reasonable, they are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include but are not limited to those set out in this AP. In light of these and other uncertainties, the inclusion of a forward-looking statement in this AP should not be regarded as a representation or warranty by our Company or our Adviser that the plans and objectives of our Group will be achieved.

## 6. INDUSTRY OUTLOOK AND PROSPECTS OF THE HCIB GROUP

### 6.1 Overview of the Malaysian Economy

The Malaysian economy continued to expand 4.1% driven by strong domestic economic activity albeit moderate global growth (Quarter 4 2012: 6.5%). On the supply side, all sectors posted positive growth except mining. The services sector grew 5.9% (Quarter 4 2012: 6.4%) supported by the wholesale and retail trade, finance and insurance, as well as communication subsectors. The construction sector registered a double-digit growth of 14.7% (Quarter 4 2012: 17.6%) led by the civil engineering subsector. The agriculture sector grew further by 6% (Quarter 4 2012: 5.6%) largely supported by the expansion in output of palm oil and fishing. Meanwhile, the manufacturing sector recorded a marginal growth of 0.3% (Quarter 4 2012: 5.7%) following lower production of petroleum products and weaker global demand for personal computers.

Domestic demand recorded a strong growth of 8.2% (Quarter 4 2012: 7.8%) driven by buoyant private consumption and robust investment activity by the private and public sectors. Private consumption expanded further, increasing 7.5% (Quarter 4 2012: 6.2%) supported by stable labour market conditions, favourable consumer sentiment and low inflation. Private consumption was also boosted by higher spending during the Chinese New Year and school holidays. In addition, the continuation of the cash assistance programs supported consumption during the quarter. The higher consumer spending was reflected by the increases in major consumption indicators. These included passenger car sales (13.7%), credit consumption (7.7%) and collection of sales tax (4.8%) (Quarter 4 2012: 11.9%; 7%; 17%). Similarly, the Malaysia Institute of Economic Research's Consumer Sentiments Index recorded a six-year high of 122.9 points (Quarter 4 2012: 118.7 points) reflecting improved consumer confidence. Meanwhile, public consumption grew marginally by 0.1% (Quarter 4 2012: 1.2%), attributed to the high-base effect following payment of bonus in 2012 as well as lower spending on supplies and services during the quarter.

Gross Fixed Capital Formation continued to record a double-digit growth of 13.2% during the quarter (Quarter 4 2012: 16%). Private investment registered a strong growth of 10.9% (Quarter 4 2012: 20.1%) underpinned by capital spending in the construction, manufacturing and services sectors. Public investment grew strongly by 17.3% (Quarter 4 2012: 12.9%) driven by higher capital spending of non-financial public enterprises, particularly in transport, utilities and oil and gas industries. Meanwhile, the Federal Government development expenditure was channelled mainly into the transport and education sectors. The expansion in investment activity was reflected by indicators such as imports of capital goods, sales of commercial vehicles and banking system loans and advances which recorded robust growth of 35.2%, 14.1% and 11.3% (Quarter 4 2012: -8.8%; 20.3%; 11.3%), respectively.

*(Source: Malaysian Economy First Quarter 2013, Ministry of Finance, Malaysia)*

### 6.2 Prospects of the Timber Industry

For decades, the timber industry has played an important role in the socioeconomic development in this country. The timber industry has become the main contributor to the country's export revenue. Malaysian wood and wood products especially furniture has been exported to over 190 countries around the world. The timber sector also provides employment to about 300,000 workers and as to date there are about 3,800 number of mills still in operation.

Exports of timber and timber products for the period of January 2012 to November 2012 were RM18.52 billion. As compared to corresponding period of the previous year, there is an increase of by 1.3%. Within this period, wooden furniture contributes RM6 billion to the export value, which is an increase of 6.7%; meanwhile export value for plywood shows a increase by 1.2% to RM4.71 billion as compared to the previous year.

Malaysia import value for timber and timber products from January 2012 to November 2012 was RM2.44 billion. The main product imported was sawn timber which accounted for RM460 million and the major partner for Malaysia's timber import were China (23%), Thailand (14%) and USA (12%).

*(Source: Malaysian Timber Industry Board Statistic Report - <http://www.mtib.gov.my>)*

### **6.3 Prospects of the Construction Industry**

The construction sector posted a strong growth of 18.9% during the first half of 2012 (January — June 2011: 3.4%), the fastest pace since 1995. This impressive performance was underpinned by robust construction activity in the civil engineering and residential subsectors. Reflecting the buoyant construction activities, the total value of construction works rose 24.6% to RM38.1 billion (January — June 2011: 0.9%; RM30.6 billion). The private sector contributed 69.8% of the total value of construction works. The non-residential and civil engineering subsectors were the main contributors constituting 36.5% and 31.2% respectively, followed by the residential subsector (26.4%). For the year, the sector is expected to grow 15.5% (2011: 4.6%), contributing 0.5 percentage points to the overall GDP growth.

The construction sector is envisaged to expand strongly by 11.2% (2012: 15.5%), with all subsectors registering steady growth. The sector is expected to benefit from the acceleration of ongoing construction activities, particularly from the ETP and RP2 construction-related projects. Of significance, exploration activities in oil & gas industries and major projects such as the electrified double-tracking between Ipoh — Padang Besar, LPT2 Jabur — Kuala Terengganu, MRT and the River of Life are expected to drive the growth of the civil engineering subsector. The non-residential subsector is expected to expand spurred by the industrial building segment and the commencement of construction of the Tun Razak Exchange. The residential subsector is also projected to expand, albeit at a moderate pace, after recording several years of strong growth. Key housing development projects, particularly in Sungai Buloh and Bandar Malaysia in Sungai Besi, which are expected to commence in 2013, will support residential construction activities.

*(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)*

### **6.4 Future Prospects of the HCIB Group**

The year 2012 has proven to be another challenging year for the Group. Although the brunt of the global financial crisis has passed, the Group remains affected by its aftermath. The Group improved the manufacturing portfolio fundamentals and continued to pursue a prudent and diversification on projects and construction, which saw HCIB emerge stronger and well-positioned as one of Malaysia's leading construction company. The Group is optimistic about the growth potential in both India and Middle East markets. The potential to grow in these two markets is undeniable, as these economies have remained resilient despite the external turbulent economic conditions.

Taking cue from the successful diversification and transformation programmes, HCIB have since last year embarked on their own transformation programmes, which aim to strengthen the Company's fundamentals and operational platform to prepare for rapid growth in the years to come. In line with the Group's direction, the timber and construction divisions have achieved RM24.3 million gross revenue for the year ending 31 December 2012 (2011: RM11.6 million). This represents 110% increase in Group turnover from year 2011. The Group has also managed to achieve profit after tax of RM140,405 after two consecutive years of losses.

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The Group's strategy to accelerate the growth of the new ventures continues to show positive trend while prudent cost control measures have helped the Group to improve its operational results without compromising on the quality of their service to customers. Moving forward, the Group will continue to build on its strengths, and focus on its business goals and strategies to enhance shareholders' value. On the same note, the Group will also explore various opportunities to grow and expand its businesses.

(Source: Annual Report 2012 of HCIB)

The Group is not aware of any known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of the corporation/group, material commitments for capital expenditure, any unusual, infrequent events or transactions or significant economic changes which will materially affect the amount of reported income from operations or any known trends or uncertainties which have had, or will have, a material impact on revenues or operating income of HCIB.

## 7. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

### 7.1 Share Capital

For illustrative purposes, the proforma effects of the Rights Issue with Warrants on the issued and paid-up share capital of the Company are shown below:

	<u>Minimum Subscription Level</u>		<u>Full Subscription Level</u>	
	No. of HCIB Shares ('000)	Share Capital (RM'000)	No. of HCIB Shares ('000)	Share Capital (RM'000)
Issued and paid-up share capital as at the LPD	199,073	49,768	199,073	49,768
New HCIB Shares to be issued pursuant to the Rights Issue with Warrants	27,613	6,903	66,358	16,590
<b>Upon completion of the Rights Issue with Warrants</b>	<b>226,686</b>	<b>56,671</b>	<b>265,431</b>	<b>66,358</b>
New HCIB Shares to be issued assuming full exercise of the Rights Warrants	13,806	3,452	33,179	8,294
<b>Enlarged issued and paid-up share capital</b>	<b>240,492</b>	<b>60,123</b>	<b>298,610</b>	<b>74,652</b>

### 7.2 Earnings and EPS

The Rights Issue with Warrants is not expected to have any material effect on HCIB's consolidated earnings for the current financial year ending 31 December 2013.

The utilisation of proceeds to be raised from the Rights Issue with Warrants for the construction business as well as for working capital is expected to contribute positively to the future earnings of HCIB Group.

Nevertheless, as a result of the enlarged number of HCIB Shares pursuant to the new HCIB Shares to be issued in accordance with the Rights Issue with Warrants, the EPS of HCIB shall be diluted proportionately.

### 7.3 NA & Gearing

Based on the latest audited consolidated balance sheet of HCIB as at 31 December 2012 and on the assumption that the Rights Issue with Warrants had been effected on that date, the proforma effects of the Rights Issue with Warrants on the consolidated NA, NA per share and gearing of the Company are set out below:-

	Audited as at 31 December 2012	Minimum Subscription Level		Full Subscription Level	
		(i) After Rights Issue with Warrants	(ii) After (i) and assuming full exercise of the Rights Warrants	(i) After Rights Issue with Warrants	(ii) After (i) and assuming full exercise of the Rights Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	49,768	56,671	60,123	66,358	74,652
Share premium	2,555	-	3,590	-	8,627
Warrants reserve	-	3,590	-	8,627	-
ESOS reserve	-	-	-	-	-
Accumulated losses	(13,509)	(15,344) <sup>(1)</sup>	(15,344)	(20,381) <sup>(2)</sup>	(20,381)
<b>Shareholders' funds/ NA</b>	<b>38,814</b>	<b>44,917</b>	<b>48,369</b>	<b>54,604</b>	<b>62,898</b>
No. of Shares in issue ('000)	199,073	226,686	240,493	265,431	298,610
NA per Share (RM)	0.19	0.20	0.20	0.21	0.21
Net tangible assets per Share (RM)	0.19	0.20	0.20	0.21	0.21
Total borrowings	175	175	175	110	110
Gearing (times)	0.0045	0.0039	0.0036	0.0020	0.0017

**Notes:-**

- (1) After deducting estimated expenses of RM800,000 and after taking into consideration the fair value assigned to the Rights Warrants at RM0.26 per Right Warrant based on the LPD amounting to RM3.6 million based on the Black-Scholes Model.
- (2) After deducting estimated expenses of RM800,000 and after taking into consideration the fair value assigned to the Rights Warrants at RM0.26 per Right Warrant based on the LPD amounting to RM8.6 million based on the Black-Scholes Model.

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## 8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

### 8.1 Working Capital

Our Board is of the opinion that based on HCIB Group's available banking facilities, the Group's cash balance, internally-generated funds from the Group's operations as well as the proceeds to be raised from the Rights Issue with Warrants will have adequate working capital for a period of 12 months from the date of this AP to meet our present and foreseeable future requirements.

### 8.2 Borrowings

Based on the latest audited financial statements as at 31 December 2012, the Group's total borrowings stood at RM174,846. As at the LPD, the Group's total borrowings (interest bearing/non-interest bearing) are as follows:-

	Short-term borrowings (RM'000)	Long-term borrowings (RM'000)	Total borrowings (RM'000)
Borrowings (secured)	23	182	205
Borrowings (unsecured)	64	-	64
Bank Overdraft	-	-	-
Total	87	182	269

### 8.3 Contingent Liabilities

As at the LPD, the Board is not aware of any material contingent liabilities incurred or known to be incurred by the HCIB Group which, upon becoming enforceable, may have a material impact on the net profit or NA of the HCIB Group, save as disclosed below:

- a) HCIB has granted a Corporate Guarantee in favour of Bank Industri & Teknologi Malaysia Berhad for the facility granted to Harvest Court Corporation Sdn Bhd.

### 8.4 Material Commitments

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the HCIB Group which, upon becoming enforceable, may have a material impact on the net profit or NA of the HCIB Group.

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## 9. SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT

### 9.1 Undertaking

The Rights Issue with Warrants will be undertaken on a minimum subscription level basis. The minimum subscription level is RM6,903,308. The minimum amount of RM6,903,308 to be raised was determined by the Board after taking into consideration the funding and working capital requirements of HCIB.

To meet the Minimum Subscription Level, HCIB has procured irrevocable written undertakings from the Undertaking Parties to subscribe for an aggregate of 22,413,230 Rights Shares attached with 11,206,615 free Rights Warrants as follows:-

Undertaking Parties	Shareholdings as at the LPD		No. of Rights Shares to be subscribed pursuant to the irrevocable written undertakings	No. of Rights Shares to be subscribed via Excess Applications pursuant to the irrevocable written undertakings	Total Rights Shares Undertaken	
	No. of HCIB Shares	%			No. of Rights Shares	Percentage (%) of the Minimum Subscription Level
Datuk Raymond Chan	29,740,809	14.94	9,913,603	5,964,806	15,878,409	57.50
Ng Wai Han	300,000	0.15	100,000	6,434,821	6,534,821	23.67
<b>Total</b>	<b>30,040,809</b>	<b>15.09</b>	<b>10,013,603</b>	<b>12,399,627</b>	<b>22,413,230</b>	<b>81.17</b>

In addition to the above, the Undertaking Parties have undertaken not to dispose of any of their HCIB Shares following the date of the respective Letter of Undertaking dated 12 July 2012 and 22 October 2012 respectively and that the Undertaking Parties will fully subscribe for their respective entitlements and for any additional entitlement (in the event that the respective parties have increased their shareholdings in HCIB) of the Rights Shares together with Rights Warrants under the Rights Issue with Warrants. The Undertaking Parties have also confirmed that they have sufficient financial resources to subscribe for their Undertakings under the Rights Issue with Warrants. TA Securities has verified that the said Undertaking Parties have the necessary financial resources to meet their Undertakings.

### 9.2 Underwriting Arrangements

Pursuant to the Underwriting Agreement which was entered into on 16 July 2013, the Underwriters has agreed to underwrite for the remaining portion of the Minimum Subscription Level of Rights Shares, which is up to 5,200,002 Rights Shares ("**Underwritten Shares**"), representing 18.83% of the total issue size of the Rights Issue with Warrants under the Minimum Subscription Level, for which no unconditional and irrevocable written undertaking to subscribe has been obtained from other shareholders.

The proportions and number of Underwritten Shares underwritten by each Underwriter is as follows:-

Underwriters	Number Of Underwritten Shares	Value of the Underwritten Shares (RM)	Agreed Proportion of Underwritten Shares (%)
TA Securities	400,000	100,000.00	7.69
SJ Securities Sdn Bhd	4,800,002	1,200,000.50	92.31
<b>Total</b>	<b>5,200,002</b>	<b>1,300,000.50</b>	<b>100.00</b>

The underwriting commission payable by the Company to each Underwriter is 2.25% of the value of the Underwritten Shares agreed to be underwritten by each Underwriter. The Company will also pay TA Securities, as managing underwriter, a managing underwriter commission of 0.25% of the total value of Underwritten Shares and all cost and expenses in relation to the Underwriting Agreement will be borne by the Company.

**10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER OF THE PROVISIONAL ALLOTMENT OF RIGHTS AND EXCESS RIGHTS SHARES APPLICATION**

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH RIGHTS WARRANTS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO DISPOSE OF ALL OR ANY PART OF YOUR ENTITLEMENTS AS WELL AS FOR EXCESS RIGHTS SHARES APPLICATION ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ THIS AP, THE RSF AND/OR THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

THE NPA AND RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS AP.

ACCEPTANCES WHICH DO NOT CONFORM STRICTLY TO THE TERMS OF THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN OR WHICH ARE ILLEGIBLE MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR COMPANY.

**10.1 General**

If you are an Entitled Shareholder, your CDS account will be duly credited with the number of provisionally allotted Rights Shares with Rights Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants (fractional entitlement, if any, having been disregarded). You will find enclosed with this AP, the NPA notifying you of the crediting of such provisionally allotted Rights Shares with Rights Warrants into your CDS account and the RSF to enable you to subscribe for the Rights Shares with Rights Warrants provisionally allotted to you, as well as to apply for Excess Rights Shares with Warrants if you choose to do so. This AP and the RSF are also available on the website of Bursa Securities (<http://www.bursamalaysia.com>).

The provisionally allotted Rights Shares with Rights Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisionally allotted Rights Shares with Rights Warrants will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renounee(s) (if applicable) are required to have valid and subsisting CDS accounts when making your applications.

**10.2 Last date and time for acceptance and payment**

The last date and time for acceptance and payment for the Rights Shares with Rights Warrants is 5.00 p.m. on 16 August 2013, or such later date and time as our Board in its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

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### 10.3 Procedures for full or part acceptance and payment

If you wish to accept the Rights Shares with Rights Warrants provisionally allotted to you either in full or in part, you are required to complete Part I(A) and II of the RSF in accordance with the notes and instructions provided therein (including specifying the number of Rights Shares with Rights Warrants which you are accepting). Each completed RSF together with the relevant remittance must be submitted using the reply envelope provided (one reply envelope for each completed RSF) by **ORDINARY POST** or **DELIVERED BY HAND** at your own risk to our Share Registrar at the following address:

Mega Corporate Services Sdn Bhd  
Level 15-2, Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

so as to arrive not later than 5.00 p.m. on 16 August 2013, being the last date and time for acceptance and payment (or such later date and time as our Board in its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time).

If you do not wish to accept the Rights Shares with Rights Warrants provisionally allotted to you in full, you are entitled to accept part of your entitlements that can be subscribed/applied for. The minimum number of provisionally allotted Rights Shares that can be accepted is two (2) provisionally allotted Rights Shares with (1) Rights Warrant. You should take note that a trading board lot comprises of one hundred (100) Rights Shares and one hundred (100) Rights Warrants. You have to complete Part I(A) of the RSF by specifying the number of Rights Shares with Rights Warrants which you are accepting. The portion of the Rights Shares with Rights Warrants that has not been accepted will be allotted to applicants applying for Excess Rights Shares with Warrants in the manner as set out in Section 10.6 below.

One (1) RSF can only be used for acceptance of the provisionally allotted Rights Shares with Rights Warrants standing to the credit of one (1) CDS account. If you have more than one (1) CDS account credited with the provisionally allotted Rights Shares with Rights Warrants, separate RSF must be used for the acceptance of the provisionally allotted Rights Shares standing to the credit of each CDS account. If successful, Rights Shares subscribed by you will be credited into the respective CDS accounts in which the provisionally allotted Rights Shares were standing to the credit.

Acceptance and payment for the Rights Shares with Rights Warrants provisionally allotted to you must be made on the RSF enclosed with this AP, which must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not strictly conform to the terms and conditions of this AP or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares with Rights Warrants accepted in the form of Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed "**ACCOUNT PAYEE ONLY**" and made payable to "**HCIB RIGHTS SHARES ACCOUNT**" and endorsed on the reverse side with your name, contact number and address in block letters and your CDS account number, which must be received by our Share Registrar by the stipulated last date and time for acceptance and payment.

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD, DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS SHARES WITH RIGHTS WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH RIGHTS WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU AT YOUR OWN RISK TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES WITH RIGHTS WARRANTS OR SUCH OTHER DATE AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**PROOF OF POSTAGE SHALL NOT CONSTITUTE PROOF OF RECEIPT BY OUR SHARE REGISTRAR OR COMPANY.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

**FOR FOREIGN ADDRESSED SHAREHOLDERS, ACCEPTANCE AND PAYMENT ARE SUBJECT TO CERTAIN RESTRICTIONS WHICH ARE SET OUT IN SECTION 10.9 OF THIS AP.**

If acceptance and payment for the Rights Shares with Rights Warrants provisionally allotted to you is not received by our Share Registrar by 5.00 p.m. on 16 August 2013, being the last date and time for acceptance and payment, (or such later date and time as our Board in its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time), such provisional allotment of Rights Shares with Rights Warrants to you will be deemed to have been declined and will be cancelled. Such Rights Shares not taken up will be made available for applicants who have applied for Excess Rights Shares with Warrants.

Our Board reserves the right not to accept or to accept in part only any application accompanied by payment other than in the manner prescribed herein or which is otherwise howsoever incomplete or not in order, without assigning any reasons thereof.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website ([www.bursamalaysia.com](http://www.bursamalaysia.com)), our Share Registrar at the address stated above or our Registered Office.

**YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN. WHERE THE APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.**

**10.4 Procedures for sale/transfer of provisional allotment of Rights Shares with Rights Warrants**

The provisional allotment of Rights Shares with Rights Warrants is renounceable and will be traded on Bursa Securities commencing 31 July 2013 until 6 August 2013 at 5.00 p.m. As such, you and/or your transferee(s) and/or your renounee(s) may sell/transfer all or part of your entitlement to the Rights Shares with Rights Warrants.

As the provisional allotment of the Rights Shares with Rights Warrants are prescribed securities, you and/or your transferee(s) and/or your renounee(s) (if applicable) who wish to sell/transfer all or part of your entitlements to the Rights Shares with Rights Warrants to one (1) or more than one (1) person(s) may do so immediately through your stockbrokers without first having to request for a split of the provisionally allotted Rights Shares with Rights Warrants standing to the credit of your CDS account. To dispose of all or part of your provisionally allotted Rights Shares with Rights Warrants, you and/or your transferee(s) and/or your renounee(s) (if applicable) may sell such entitlements in the open market of Bursa Securities for the period up to the last day and time for sale of the provisionally allotted Rights Shares with Rights Warrants (in accordance with the Rules of Bursa Depository) or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last day and time for transfer of the provisionally allotted Rights Shares with Rights Warrants (in accordance with the Rules of Bursa Depository).

In selling/transferring all or part of your provisionally allotted Rights Shares with Rights Warrants, you and/or your transferee(s) and/or your renounee(s) (if applicable) need not deliver any document including the RSF, to any stockbroker in respect of the portion of the provisional allotment sold/transferred. However, you and/or your transferee(s) and/or your renounee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights Shares with Rights Warrants standing to the credit of your CDS account that are available for settlement of the sale or transfer.

If you and/or your renounee(s) (if applicable) have sold or transferred only part of your provisionally allotted Rights Shares with Rights Warrants, you may still accept the balance of the entitlements of the Rights Shares with Rights Warrants by completing Part I(A) of the RSF and forwarding the RSF together with the full amount payable on the balance of the Rights Shares with Rights Warrants applied for to our Share Registrar in accordance with the instructions set out in Section 10.3 of this AP. The minimum number of Rights Shares with Rights Warrants that can be accepted or minimum number of Excess Rights Shares with Warrants which can be applied for is two (2) Rights Shares.

**ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.**

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## 10.5 Purchase of rights

If you have purchased any provisional allotment of Rights Shares with Rights Warrants on Bursa Securities, you should obtain and complete the RSF in order to enable you to accept the Rights Shares. The RSF can be obtained from one of the following:

- (1) Any Malaysian stockbroking companies
- (2) The website of Bursa Securities at <http://www.bursamalaysia.com>
- (3) Our Company's Registered Office at:

Suite 10.03, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia

- (4) Our Share Registrar at:

Mega Corporate Services Sdn Bhd  
Level 15-2, Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

**YOU ARE TO COMPLETE THE RSF AND SUBMIT THE SAME WITH THE REQUISITE PAYMENT TO OUR SHARE REGISTRAR AS DESCRIBED UNDER SECTION 10.3 OF THIS AP.**

**YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND THE RSF CAREFULLY.**

**IF YOU ARE LOCATED OUTSIDE OF MALAYSIA, YOU SHOULD TAKE NOTE OF CERTAIN RESTRICTIONS AS SET OUT IN SECTION 10.9 OF THIS AP.**

## 10.6 Procedures for Excess Rights Shares Application

You and/or your renounee(s) (if applicable) who have accepted the provisionally allotted Rights Shares with Warrants may apply for Excess Rights Shares with Warrants by completing Part I(B) of the RSF and forwarding it (together with a separate remittance for the full amount payable in respect of the Excess Rights Shares with Warrants applied for) to our Share Registrar at the address set out in Section 10.3 above, so as to arrive not later than 5.00 p.m. on 16 August 2013 being the last date and time for excess share application and payment, or such extended date and time as may be determined and announced by our Board.

Payment for the Excess Applications should be made in the same manner described in Section 10.3 of this AP, except that the Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia and crossed "**ACCOUNT PAYEE ONLY**", should be made payable to "**HCIB EXCESS RIGHTS SHARES ACCOUNT**" and endorsed on the reverse side with your name, contact number and address in block letters and your CDS account number which must be received by our Share Registrar by the stipulated last date and time for acceptance and payment.

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

Our Board reserves the right to allot any Excess Rights Shares with Warrants applied for in a fair and equitable manner, as it deems fit and expedient in the best interest of our Company. As such, it is the intention of our Board to allot the Excess Rights Shares with Warrants in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders and/or renounee(s) who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on their acceptance of the Rights Shares; and
- (iii) thirdly, for allocation to the Entitled Shareholders and/or renounee(s) who have accepted the Rights Shares based on (ii) above, who have applied for the Excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares with Warrants application.

Nevertheless, our Board reserves the right to allot any application for Excess Rights Shares with Warrants, in full or in part, and on such basis as it deems fit or expedient in the best interest of our Company without assigning any reason thereof.

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF FOR THE EXCESS APPLICATION OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH RIGHTS WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU AT YOUR OWN RISK TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES WITH RIGHTS WARRANTS OR SUCH OTHER DATE AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH RIGHTS WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND DESPATCHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.**

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website ([www.bursamalaysia.com](http://www.bursamalaysia.com)), our Share Registrar at the address stated above or our Registered Office.

#### **10.7 Splitting**

Under the CDS environment, the processes of splitting, nomination and renunciation are generated by electronic book-entries made in the CDS accounts of the Entitled Shareholders and the new purchaser. The provisional allotment of Rights Shares with Rights Warrants will be credited into your CDS account. You will be notified of the crediting via the NPA which is enclosed with this AP. You may sell part of or all of the Rights Shares with Rights Warrants provisionally allotted to you.

*[The rest of this page has been intentionally left blank]*

## 10.8 Form of issuance

Bursa Securities has already prescribed the securities of our Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Rights Warrants are prescribed securities and as such, all dealings in the provisional allotment of Rights Shares with Rights Warrants will be by book entry through CDS accounts and will be governed by the SICDA, 1998 and the Rules of Bursa Depository. You are required to have valid and subsisting CDS accounts in order to subscribe for the Rights Shares. Failure to comply with the specific instructions or inaccuracy in the CDS account number may result in the application being rejected.

The acceptance of the Rights Shares with Rights Warrants by you or any purchaser of the rights thereof shall mean consent to receiving such Rights Shares with Rights Warrants as prescribed securities which will be credited directly into your or the purchaser's CDS account. All Excess Rights Shares with Warrants, if allotted to the successful applicant who has applied for Excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS account of the successful applicants.

No physical share certificates will be issued to you in respect of the Rights Shares with Rights Warrants. Upon allotment of the Rights Shares with Rights Warrants in respect of your acceptance and Excess Application (if any), the Rights Shares with Rights Warrants will be credited directly into your CDS accounts. Within eight (8) Market Days from the last date for acceptance and payment for the Rights Shares with Rights Warrants and Excess Application, notices of allotment will be issued and forwarded by ordinary post to the successful applicants at their own risk at the addresses shown in the Record of Depositors.

The allotment of the Rights Shares with Rights Warrants, despatch of notice of allotment and application to Bursa Securities for the quotation of the Rights Shares with Rights Warrants will be made within eight (8) Market Days from the last date for payment and acceptance of the Rights Shares with Rights Warrants.

Where any application for the Rights Shares with Rights Warrants is not accepted or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest and be despatched to you within fifteen (15) Market Days from the last date of acceptance and payment in respect of the Rights Shares by ordinary post to the address shown in the Record of Depositors.

## 10.9 Foreign Addressed Shareholders

The AP together with the accompanying documents issued in connection with the Rights Issue with Warrants are not and will not be made to comply with the laws of any countries or jurisdiction other than Malaysia, and have not and will not be registered under any applicable securities legislation of any countries or jurisdictions other than Malaysia, and the Rights Issue with Warrants will not be offered for purchase or subscription in any countries or jurisdictions other than Malaysia.

Accordingly, this AP together with the accompanying documents will only be sent to Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in our Record of Depositors as at the Entitlement Date. Foreign Addressed Shareholders who wish to provide Malaysia addresses should inform their respective stockbrokers to effect the change of address prior to the Entitlement Date. Alternatively, such Foreign Addressed Shareholders may collect the AP from our share registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the AP.

Our Company will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign Addressed Shareholders may only exercise their rights in respect of the Rights Issue with Warrants to the extent that it would be lawful to do so, and our Company and/or TA Securities would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction which the Foreign Addressed Shareholders and/or their renounee(s) might be subject to.

Foreign Addressed Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company, our share registrar and/or TA Securities in respect of their rights or entitlements under the Rights Issue with Warrants. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Rights Issue with Warrants.

Foreign Addressed Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the Foreign Addressed Shareholders in the Rights Issue with Warrants shall be on the basis of a warranty by them that they may lawfully so participate without our Company and/or TA Securities being in breach of the laws of any jurisdiction.

Neither our Company, TA Securities nor any other advisers to the Rights Issue with Warrants shall accept any responsibility or liability in the event that any acceptance of a Foreign Addressed Shareholder of his/her rights in respect of the Rights Issue with Warrants is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

Our Company reserves the right in our absolute discretion to treat any acceptance as being invalid if we believe or have reason to believe that such acceptance may violate applicable legal or regulatory requirements.

## 11. TERMS AND CONDITIONS

The issuance of the Rights Shares with Rights Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions set out in this AP, the NPA and RSF.

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12. FURTHER INFORMATION

Please refer to the attached Appendices for further information.

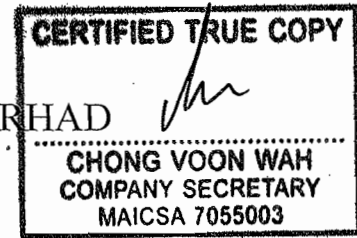
Yours faithfully  
For and on behalf of the Board  
HARVEST COURT INDUSTRIES BERHAD

DATUK RAYMOND CHAN BOON SIEW  
Managing Director and Chief Executive Officer

**CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT THE EGM OF HCIB HELD ON 26 NOVEMBER 2012**

**HARVEST COURT INDUSTRIES BERHAD**

(Company No. 36998-T)  
(Incorporated in Malaysia)



**EXTRACT OF MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON 26 NOVEMBER 2012**

**ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 90,091,282 NEW ORDINARY SHARES OF RM0.25 EACH IN HCIB (“HCIB SHARES”) (“RIGHTS SHARES”) AT AN ISSUE PRICE OF RM0.25 PER SHARE TOGETHER WITH UP TO 45,045,641 FREE DETACHABLE WARRANTS IN HCIB (“RIGHTS WARRANTS”) ON THE BASIS OF TWO (2) RIGHTS SHARES AND ONE (1) RIGHTS WARRANT FOR EVERY SIX (6) EXISTING HCIB SHARES HELD AS AT AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)**

After due discussion, the following resolution having been duly proposed by Mr. Chan Kok Leong and seconded by Mr. Sim Kim Eng, was put to the meeting for voting. With unanimous approval from the shareholders, the ordinary resolution 1 in relation to the Proposed Rights Issue With Warrants was declared carried by the Chairman :-

“**THAT**, subject to the passing of Ordinary Resolution 2 and Special Resolution 1 and all approvals being obtained from the relevant authorities, including but without limiting, the approval of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing of and quotation for the Rights Shares, Rights Warrants and the new Shares to be issued pursuant to the exercise of the Rights Warrants on the Main Market of Bursa Securities, and for the admission of the Rights Warrants to the Official List of Bursa Securities, approval be and is hereby given to the Board of Directors of HCIB to provisionally allot and issue by way of a renounceable rights issue of up to 90,091,282 Rights Shares together with up to 45,045,641 new free detachable warrants to the registered shareholders of the Company whose names appear in the Record of Depositors at the close of business on a date to be determined by the Board of Directors of HCIB as they may deem fit, on the basis of two (2) Rights Shares and one (1) Rights Warrant for every six (6) Shares held in HCIB.

**THAT** subject to all approvals being obtained from the relevant authorities, including but without limiting, the approval of Bursa Securities for the listing of and quotation for such appropriate number of additional warrants for the existing warrants of HCIB which was issued on 20 November 2009 and expiring on 19 November 2019 (“Warrants 2009/2019”) as a consequence of the Proposed Rights Issue with Warrants, approval be and is hereby given to Board of Directors of HCIB to allot and issue such appropriate number of warrants in accordance with the provisions of the Deed Poll which constitutes the Warrants 2009/2019 and/or any amendments thereof or as may be imposed by the relevant authorities;

**THAT** the Rights Shares shall upon issuance and allotment thereof, rank pari passu in all respects with the then existing issued and fully paid-up HCIB Shares except that the Rights Shares shall not be entitled to any dividends, rights, allotment and/or other distribution that may be declared, made or paid prior to the date of issuance and allotment of the Rights Shares;

**CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT THE EGM OF HCIB HELD ON 26 NOVEMBER 2012 (CONT'D)**

*Harvest Court Industries Berhad*

*- Extract of Minutes of the Extraordinary General Meeting (26 November 2012)*

*(Page 2)*

**THAT** such further new HCIB Shares to be issued arising from the exercise of the Rights Warrants shall upon issuance and allotment, rank pari passu in all respects with the then existing issued and fully paid-up HCIB Shares except that they shall not be entitled to any dividends, rights, allotment and/or other distribution that may be declared, made or paid prior to the relevant allotment date of the said new HCIB Shares;

**THAT** the Directors of HCIB be and hereby entitled to deal with all or any of the fractional entitlement of the Rights Shares with Rights Warrants arising from the Proposed Rights Issue with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever in such manner as the Directors of HCIB may in their discretion deem fit and expedient and in the best interest of the Company;

**THAT** the Directors of HCIB be and are hereby authorised with full power to issue and allot the Rights Warrants and new HCIB Shares as may be required arising from any exercise by the warrant holders or pursuant to any adjustment in the number of Rights Warrants which may be carried out in accordance with the Deed Poll;

**THAT** the Directors be and are hereby authorised to enter into and execute the Deed Poll constituting the Rights Warrants and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll and with full power to assent to any conditions, modifications, variations and/or amendments in the best interest of the Company or that may be imposed by the relevant regulatory authorities; and

**AND THAT** the Directors of HCIB be and hereby authorised to do all acts and things as they may consider necessary of expedient in the best interest of the Company with the full powers to assent to any conditions, modifications, variations and/or amendments as may be required, or imposed by the relevant authorities, and to take all steps and to enter into all such agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Rights Issue with Warrants.”

**Certified as a True Extract of the original**



DATO' MOHAMED AMIR ABAS  
BIN ZAINAL AZIM  
COMPANY DIRECTOR



TAN TONG LANG  
( MAICSA 7045482)  
COMPANY SECRETARY

Dated : 26 NOV 2012

Dated : 26 NOV 2012

**INFORMATION ON OUR COMPANY****1. HISTORY AND PRINCIPAL ACTIVITIES**

The Company is a public limited liability company, incorporated in Malaysia under the Act and domiciled in Malaysia, and is listed on Main Market of Bursa Malaysia Securities Berhad.

**Principal Activities**

The Company is an investment holding company. Through its subsidiaries, the Company has three (3) reportable segments, as described below:-

<b>Business Segments</b>	<b>Business Activities</b>
Timber product manufacturing	Kiln drying, sawmilling, manufacturing of timber doors and related products
Construction and property development	Contractors in construction and interior design fit up works and related maintenance services, development of residential and commercial properties
Investment holding and others	Investment in shares and securities and the provision of marketing and management service

**2. SHARE CAPITAL AND MOVEMENTS IN SHARE CAPITAL**

- (i) The authorised and issued and fully paid-up ordinary share capital of the Company as at the LPD are as follows:-

<b>Type</b>	<b>No. of Shares</b>	<b>Par value RM</b>	<b>Amount RM</b>
Authorised share capital	800,000,000	0.25	200,000,000
Issued and paid-up share capital	199,073,473	0.25	49,768,368

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**INFORMATION ON OUR COMPANY (CONT'D)**

(ii) The changes in our issued and paid-up share capital for the past three (3) years preceding the LPD are as follows:-

Date of allotment	Type of change	No. of Shares allotted	Par value (RM)	Consideration (RM)	Cumulative issued and paid-up share capital (RM)	Cumulative issued and paid-up share capital No. of Shares
14-Jul-10	Private Placement	4,000,000	0.25	1,000,000	42,980,593.25	171,922,373
20-Oct-11	ESOS	227,500	0.25	56,875	43,037,468.25	172,149,873
27-Oct-11	ESOS	443,000	0.25	110,750	43,148,218.25	172,592,873
28-Oct-11	ESOS	754,900	0.25	188,725	43,336,943.25	173,347,773
2-Nov-11	ESOS	63,000	0.25	15,750	43,352,693.25	173,410,773
3-Nov-11	ESOS	884,000	0.25	221,000	43,573,693.25	174,294,773
4-Nov-11	ESOS	3,737,600	0.25	934,400	44,508,093.25	178,032,373
8-Nov-11	ESOS	1,279,000	0.25	319,750	44,827,843.25	179,311,373
9-Nov-11	ESOS	1,186,400	0.25	296,600	45,124,443.25	180,497,773
10-Nov-11	ESOS	152,500	0.25	38,125	45,162,568.25	180,650,273
24-Nov-11	ESOS	205,000	0.25	51,250	45,213,818.25	180,855,273
29-Nov-11	ESOS	342,200	0.25	85,550	45,299,368.25	181,197,473
2-Dec-11	ESOS	96,000	0.25	24,000	45,323,368.25	181,293,473
13-Dec-11	ESOS	24,000	0.25	6,000	45,329,368.25	181,317,473
5-Jan-12	ESOS	226,000	0.25	56,500	45,385,868.25	181,543,473
13-Jul-12	ESOS	400,000	0.25	100,000	45,485,868.25	181,943,473
17-Jul-12	Private Placement	16,700,000	0.25	6,730,100 (issue price @ RM0.403)	49,660,868.25	198,643,473
25-Jul-12	ESOS	200,000	0.25	50,000	49,710,868.25	198,843,473
10-Sep-12	ESOS	230,000	0.25	57,500	49,768,368.25	199,073,473

**INFORMATION ON OUR COMPANY (CONT'D)****3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

Assuming all the Entitled Shareholders subscribe for their respective entitlements, the Rights Issue with Warrants will not have any effect on the substantial shareholders' percentage of shareholdings in HCIB as the Rights Shares and Rights Warrants will be allotted on a pro-rata basis to all the Entitled Shareholders. Accordingly, the number of HCIB Shares held by each shareholder will increase proportionately pursuant to the Rights Issue with Warrants.

For illustrative purposes, the proforma effects of the Rights Issue with Warrants on the shareholdings of the substantial shareholders of HCIB as at the LPD are set out below.

**Minimum Subscription Level**

Names	As at the LPD			(i) After the Rights Issue with Warrants			(ii) After (i) and after the full conversion of Warrants			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%
Datuk Chan Raymond	29,740,809	14.94	-	-	45,619,218	20.12	-	53,558,422	22.27	-

**Full Subscription Level**

Names	As at the LPD			(i) After the Rights Issue with Warrants			(ii) After (i) and after the full conversion of Warrants			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%
Datuk Chan Raymond	29,740,809	14.94	-	-	39,654,412	14.94	-	44,611,213	14.94	-

**INFORMATION ON OUR COMPANY (CONT'D)****4. BOARD OF DIRECTORS**

The particulars of our Directors as at the LPD are as follows:-

<b>Name/Designation</b>	<b>Address</b>	<b>Age</b>	<b>Nationality</b>	<b>Profession</b>
Dato' Mohamed Amir Abas Bin Zainal Azim <i>(Independent Non-Executive Chairman)</i>	72, Jalan Burhanuddin Helmi Dua Taman Tun Dr. Ismail 60000 Kuala Lumpur	63	Malaysian	Company Chairman
Datuk Raymond Chan Boon Siew <i>(Managing Director and Chief Executive Officer)</i>	11A, Jalan USJ 18/2A 47630 Subang Jaya Selangor Darul Ehsan	41	Malaysian	Managing Director and Chief Executive Officer
Ng Wai Han <i>(Executive Director)</i>	Indera Subang Condominium Block A, #3A-02, Jalan USJ 6/2L UEP Subang Jaya 47610 Subang Jaya, Selangor	42	Malaysian	Company Director
Zainuri Bin Zainal <i>(Independent Non-Executive Director)</i>	No. 50, Jln 7 Kg. Idaman Pandamaran 42000 Pelabuhan Klang Selangor Darul Ehsan	40	Malaysian	Company Director
Chua Eng Chin <i>(Independent Non-Executive Director)</i>	259, Lorong S2A7/6 Green Street Homes Seremban 2, 70300 Seremban Negeri Sembilan	54	Malaysian	Company Director
Datuk Tan Choon Hwa (JMK, JP) <i>(Independent Non-Executive Director)</i>	No. 1771 Taman Paya Bemban Jalan Hospital 15200 Kota Bharu, Kelantan	56	Malaysian	Company Director
Woo Mun Chee <i>(Independent Non-Executive Director)</i>	No. 108, Jalan Sri Petaling 2 Bandar Baru Sri Petaling 57000 Kuala Lumpur	60	Malaysian	Company Director

*[The rest of this page has been intentionally left blank]*

## INFORMATION ON OUR COMPANY (CONT'D)

## 5. DIRECTORS' SHAREHOLDINGS

For illustrative purposes only and on the assumption that the Rights Issue had been affected on the LPD, our Directors' direct and indirect shareholdings in our Company before and after the Rights Issue based on our Register of Directors as at the LPD are as follows:-

## Minimum Subscription Level\*

Names	As at the LPD		(i) After the Rights Issue with Warrants				(ii) After (i) and after the full conversion of Warrants			
	Direct		Direct		Indirect		Direct		Indirect	
	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%
Dato' Mohamed Amir Abas Bin Zainal Azim	10,500	0.01	10,500	0.01	-	-	10,500	0.00	-	-
Datuk Raymond Chan	29,740,809	14.94	45,619,218	20.12	-	-	53,558,422	22.27	-	-
Ng Wai Han	300,000	0.15	6,834,821	3.02	-	-	10,102,231	4.20	-	-
Zainuri Bin Zainal	301,600	0.15	301,600	0.13	-	-	301,600	0.13	-	-
Chua Eng Chin	230,000	0.12	230,000	0.10	-	-	230,000	0.10	-	-
Woo Mun Chee	18,000	0.01	18,000	0.01	-	-	18,000	0.01	-	-

Note:

\* On the assumption that only the Undertaking Parties, i.e. Datuk Raymond Chan and Ng Wai Han subscribe for their respective entitlements and via excess applications pursuant to the irrevocable written undertakings as set out in Section 9.1 of this AP.

## INFORMATION ON OUR COMPANY (CONT'D)

## Full Subscription Level\*\*

Names	As at the LPD		(i) After the Rights Issue with Warrants		(ii) After (i) and after the full conversion of Warrants					
	Direct		Direct		Direct		Indirect			
	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%	No. of HCIB Shares	%		
Dato' Mohamed Amir Abas Bin Zainal Azim	10,500	0.01	-	0.01	14,000	-	-	15,750	0.01	-
Datuk Raymond Chan	29,740,809	14.94	-	14.94	39,654,412	-	-	44,611,213	14.94	-
Ng Wai Han	300,000	0.15	-	0.15	400,000	-	-	450,000	0.15	-
Zainuri Bin Zainal	301,600	0.15	-	0.15	402,133	-	-	452,399	0.15	-
Chua Eng Chin	230,000	0.12	-	0.12	306,666	-	-	344,999	0.12	-
Woo Mun Chee	18,000	0.01	-	0.01	24,000	-	-	27,000	0.01	-

Note:

\*\* On the assumption that all Entitled Shareholders and/or their renounee(s) subscribe in full their respective entitlements under the Rights Issue with Warrants

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**INFORMATION ON OUR COMPANY (CONT'D)**


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**6. LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES**

Our subsidiary and associated companies as at the LPD are as follows:-

Name of company  <b>Direct holding:</b>	Date and Country of incorporation	Issued and Paid-Up Capital	Effective interest		Principal activities
			2012 %	2011 %	
Harvest Court (M) Sdn. Bhd	31 December 1982, Malaysia	RM1,600,000	100	100	Sawmilling and marketing of sawn timber (Temporary ceased operations)
Harvest Court Marketing Sdn. Bhd.	22 November 1994, Malaysia	RM3,000,000	*60	60	Marketing of timber doors and other related products
Harvest Lumber Sdn. Bhd.	22 December 1995, Malaysia	RM13,000,000	100	100	Manufacturing and marketing of timber doors and other related products
Harvest Court Corporation Sdn. Bhd.	24 July 1995 , Malaysia	RM3,000,000	100	100	Manufacturing and marketing of timber doors and other related products (Temporary ceased operations)
Harvest Exporter Sdn. Bhd.	27 August 1997, Malaysia	RM3,500,000	100	100	Construction and interior design fit up
Quantum Pro Sdn. Bhd.	28 August 1996, Malaysia	RM4,000,000	100	100	Timber kiln drying
Harvest Court Properties Sdn. Bhd.	11 July 1996, Malaysia	RM5,000,000	100	100	Property development
Harvest Rimba Sdn. Bhd.	09 August 1993, Malaysia	RM10,000,000	98.8	98.8	Property development and jetty operation (Temporary ceased operations)
Harvest Court Management Sdn. Bhd.	10 July 1996, Malaysia	RM2,000,000	100	100	Investment holding
Harvest Court Construction Sdn Bhd (formerly known as Harvest Court Development Sdn Bhd)	24 July 1995, Malaysia	RM2,200,000	100	100	Construction
Harvest Nation Sdn. Bhd.	19 July 1993, Malaysia	RM1,200,000	100	100	Dormant (Ceased Operations)
Timbeck (M) Sdn. Bhd,	16 July 1993, Malaysia	RM2	100	100	Dormant

Note:-

\* HCIB has ceased to have management control over the financial and operating decisions in this company following a change in management in October 2012. As a result, the HCIB Group has applied the equity method of accounting and this company has been deemed as an associated company.

**INFORMATION ON OUR COMPANY (CONT'D)****7. PROFIT AND DIVIDEND RECORD**

	<-----Audited----->			Unaudited for the financial period ended 31 March 2013 RM'000
	FYE 31 December	FYE 31 December	FYE 31 December	
	2010 RM'000	2011 RM'000	2012 RM'000	
Revenue	6,428	11,614	24,341	3,982
Gross profit/(loss)	18	1,785	4,111	308
EBITDA	(2,010)	(713)	1,027	(508)
Other income	100	378	459	25
Finance costs	(5)	(5)	(5)	(1)
Share of profits/(losses) of associates and joint ventures	-	-	(5)	(16)
Profit/(loss) before tax	(2,819)	(1,753)	59	(836)
Tax expense	115	64	81	20
<b>Profit after tax/(Loss after tax)</b>	<b>(2,704)</b>	<b>(1,689)</b>	<b>140</b>	<b>(816)</b>
Profit/loss attributable to:-				
Equity holder of HCIB	(2,704)	(1,684)	167	(816)
Minority interest	-	(5)	(27)	-
	<b>(2,704)</b>	<b>(1,689)</b>	<b>140</b>	<b>(816)</b>
Weighted number of ordinary shares (‘000)	167,624	172,878	181,136	199,074
Basic earnings per share/(loss per share) (sen)	(1.61)	(0.97)	0.09	(0.41)
Diluted earnings per share/(loss per share) (sen)	(1.61)	(0.97)	0.08	(0.41)

**Commentaries****FYE 2010**

The Group recorded turnover of RM6.4 million and loss after tax of RM2.7 million for FYE 2010 due to lower sales volume. The lower sales volume was attributed to the upgrading of machineries which have temporarily halted its production line.

**FYE 2011**

For the FYE 2011, the Group recorded a turnover of RM11.6 million, 81% higher than that of the FYE 2010 due to increase of timber doors sales to India and the Middle East.

Despite of the higher turnover for the financial year, the Group recorded a LAT of RM1.7 million mainly due to higher administration expenses.

**FYE 2012**

For FYE 2012, the Group embarked on diversification and transformation programmes which aim to strengthen the Group's fundamentals and operational platform to prepare for rapid growth in the years to come.

**INFORMATION ON OUR COMPANY (CONT'D)**

Following the successful diversification into construction business, the Group has achieved turnover of RM24.3 million for FYE 2012, which is 110% higher than FYE 2011. The increase of turnover was mainly due to revenue from the construction division amounting to RM12.68 million from its 1Sulaman project and other interior fit up jobs.

As a result from the increase in revenue, the Group managed to achieve a PAT of RM0.14 million.

**Unaudited FPE 31 March 2013**

For the unaudited FPE 31 March 2013, our Group has achieved turnover of RM4 million, this is in line with the similar quarter of FPE 31 March 2012.

However, the Group incurred loss before tax of RM0.84 million as compare to LBT of RM0.75 million for the FPE 31 March 2012. The increase in losses is mainly due to lower contribution from both timber and construction divisions and higher operating costs. The Group has currently three (3) construction projects on hand, namely the 1Sulaman, 1 GE Project and 1Likas. Please refer to the company's circular to shareholders dated 7 May 2012 for further details of the projects. To-date, the 1Sulaman project construction works are in progress with a percentage of completion of 11%. For the 1GE and 1Likas Projects, building plans have been submitted and are pending approvals for the commencement of works from Majlis Daerah Jempol and Dewan Bandaraya Kota Kinabalu respectively.

**8. HISTORICAL SHARE PRICES**

The monthly highest and lowest market prices of HCIB Shares traded on Bursa Securities for the past twelve (12) months preceding the date of this AP are as follows:

	<b>High RM</b>	<b>Low RM</b>
<b>2012</b>		
July	0.655	0.410
August	0.515	0.425
September	0.480	0.365
October	0.415	0.305
November	0.410	0.305
December	0.335	0.285
<b>2013</b>		
January	0.375	0.260
February	0.285	0.240
March	0.290	0.245
April	0.305	0.245
May	0.460	0.245
June	0.385	0.295
The last transacted price of HCIB Shares on 12 July 2011, being the last Market Day prior to the announcement of the Rights Issue with Warrants		RM0.090
Last transacted market price on 25 July 2013, being the last full trading day prior to the ex-date of the Rights Issue with Warrants		RM0.280
Last transacted market price on LPD before the issuance of the AP		RM0.315

(Source: Bloomberg)



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF HCIB AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**



30 July 2013

The Board of Directors  
Harvest Court Industries Berhad  
Suite 10.03, Level 10  
The Gardens South Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur

Dear Sirs,

**UHY** (AF1411)  
**Chartered Accountants**  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

Phone +60 3 2279 3088  
Fax +60 3 2279 3099  
Email uhykl@uhy.com.my  
Web www.uhy.com.my

**HARVEST COURT INDUSTRIES BERHAD ("HCIB")  
PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
31 DECEMBER 2012**

We have reviewed the Proforma Consolidated Statement of Financial Position of HCIB and its subsidiary companies (collectively referred to as "HCIB Group") as at 31 December 2012, together with the notes thereon, for which the Directors of HCIB are collectively and individually responsible. The Proforma Consolidated Statement of Financial Position have been prepared for the purpose of inclusion in the Abridged Prospectus to the shareholders of HCIB to be dated 30 July 2013 which we have stamped for the purpose of identification, in connection with the renounceable rights issue of up to 66,357,824 new ordinary shares of RM0.25 each in HCIB ("Rights Shares") at an issue price of RM0.25 per share together with up to 33,178,912 free detachable warrants in HCIB ("Rights Warrants" or "Warrants") on the basis of two (2) Rights Shares and one (1) Rights Warrant for every six (6) existing HCIB Shares held on 30 July 2013 ("Entitlement Date") ("Right Issue with Warrants").

In our opinion, the abovementioned Proforma Consolidated Statement of Financial Position together with the notes thereon (which are provided for illustrative purposes only):

- (i) have been properly compiled on the basis of preparation as stated in the notes thereon; such basis is consistent with the accounting policies normally adopted by the HCIB Group;
- (ii) the adjustments are appropriate for the purpose of the Proforma Consolidated Statement of Financial Position; and
- (iii) the financial statements used in the preparation of the Proforma Consolidated Statement of Financial Position were prepared in accordance with Malaysian Financial Reporting Standards issued by Malaysian Accounting Standards Board, and in manner consistent with both the format of the audited financial statements and the accounting policies of HCIB Group for the financial year ended 31 December 2012.

Yours faithfully,

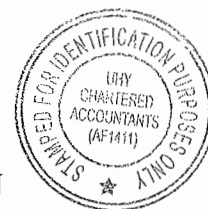
**UHY**  
Firm Number: AF 1411  
Chartered Accountants

**LO KUAN CHE**  
Approved Number: 3016/11/14 (J)  
Chartered Accountant

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF HCIB AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

**HARVEST COURT INDUSTRIES BERHAD  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARY COMPANIES**

**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012**



**NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**Basis of Preparation and Consolidation**

The Proforma Consolidated Statement of Financial Position have been prepared solely for illustrative purposes based on the accounting policies and bases which are consistent with those adopted in the preparation of the audited financial statements of HCIB Group as at 31 December 2012 on the assumption that the following proposals had taken place on 31 December 2012.

**Fair value of Warrants**

The fair value of the Warrants is estimated using Black Scholes Model from Bloomberg Finance based on the following key assumption:

(a) Exercise Price	RM0.25 per Warrant
(b) Theoretical ex-rights price	RM0.30 per HCIB Share (based on 5-day volume weighted average market price up to and including 5 July 2013, of RM0.31)
(c) Tenure of Warrants	10 years from 5 July 2013
(d) Risk free interest rates	3.48%
(e) Expected dividend yield	Nil
(f) Expected share price volatility	70.395% (HCIB determined the expected share price volatility based on six (6) months volatility of the monthly historical stock price of HCIB)

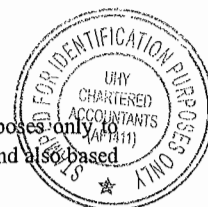
Based on the assumptions and basis described above and applying all the inputs into the Black Scholes Model, the fair value of the Warrant is assumed to be approximately RM0.26 per Warrant for the purpose of the proforma consolidated statement of financial position as at 31 December 2012.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF HCIB AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

**Harvest Court Industries Berhad**

**Proforma Consolidated Statement of Financial Position as at 31 December 2012**

The Proforma Consolidated Statement of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the combined statement of financial position of the Proforma HCIB Group as at 31 December 2012 and also based on the assumptions that the following events had been effected on that date.



	HCIB Group Level 31 December 2012 RM	Proforma I After the Rights Issue of Warrants RM	Proforma II After full exercise of Warrants RM
<b>MINIMUM SUBSCRIPTION LEVEL</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	31,214,916	31,214,916	31,214,916
Investment in associated company	818,461	818,461	818,461
	<u>32,033,377</u>	<u>32,033,377</u>	<u>32,033,377</u>
<b>CURRENT ASSETS</b>			
Amount owing by contract customers	478,326	478,326	478,326
Inventories	7,862,757	7,862,757	7,862,757
Trade receivables	9,757,187	9,757,187	9,757,187
Other receivables	1,623,017	1,623,017	1,623,017
Tax assets	332	332	332
Short-term deposits with a licensed bank	499,192	499,192	499,192
Cash and bank balances	91,980	6,195,288	9,646,942
	<u>20,312,791</u>	<u>26,416,099</u>	<u>29,867,753</u>
<b>TOTAL ASSETS</b>	<u>52,346,168</u>	<u>58,449,476</u>	<u>61,901,130</u>
<b>EQUITY</b>			
Share capital	49,768,368	56,671,676	60,123,330
Share premium	2,555,100	-	3,589,720
Warrant reserves	-	3,589,720	-
ESOS reserves	50	50	50
Accumulated losses	(13,509,456)	(15,344,076) *	(15,344,076)
<b>TOTAL EQUITY</b>	<u>38,814,062</u>	<u>44,917,370</u>	<u>48,369,024</u>
<b>NON-CURRENT LIABILITIES</b>			
Hire purchase payables	61,795	61,795	61,795
Deferred tax liabilities	2,173,345	2,173,345	2,173,345
	<u>2,235,140</u>	<u>2,235,140</u>	<u>2,235,140</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	3,683,121	3,683,121	3,683,121
Other payables	1,601,136	1,601,136	1,601,136
Amount owing to associated company	870,353	870,353	870,353
Amount owing to directors	4,845,029	4,845,029	4,845,029
Hire purchase payables	17,058	17,058	17,058
Bank borrowings	95,993	95,993	95,993
Tax payable	184,276	184,276	184,276
	<u>11,296,966</u>	<u>11,296,966</u>	<u>11,296,966</u>
<b>TOTAL LIABILITIES</b>	<u>13,532,106</u>	<u>13,532,106</u>	<u>13,532,106</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>52,346,168</u>	<u>58,449,476</u>	<u>61,901,130</u>
No of shares	199,073,473	226,686,705	240,493,321
	@ RM0.25 per share	@ RM0.25 per share	@ RM0.25 per share
Net assets	<u>38,814,062</u>	<u>44,917,370</u>	<u>48,369,024</u>
NA per share (RM)	<u>0.19</u>	<u>0.20</u>	<u>0.20</u>
Borrowings	<u>174,846</u>	<u>174,846</u>	<u>174,846</u>
Gearing (times)	<u>0.0045</u>	<u>0.0039</u>	<u>0.0036</u>

\* After deducting estimated expenses in relation to the Proposal of RM800,000 and fair value adjustment of the Rights Warrants of RM3.6 million

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF HCIB AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

**Harvest Court Industries Berhad**

**Proforma Consolidated Statement of Financial Position as at 31 December 2012**

The Proforma Consolidated Statement of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the combined statement of financial position of the Proforma HCIB Group as at 31 December 2012 and also based on the assumptions that the following events had been effected on that date.



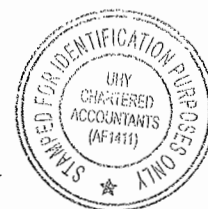
	HCIB Group Level 31 December 2012 RM	Proforma I After the Rights Issue of Warrants RM	Proforma II After full exercise of Warrants RM
<b>FULL SUBSCRIPTION LEVEL</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	31,214,916	31,214,916	31,214,916
Investment in associated company	818,461	818,461	818,461
	<u>32,033,377</u>	<u>32,033,377</u>	<u>32,033,377</u>
<b>CURRENT ASSETS</b>			
Amount owing by contract customers	478,326	478,326	478,326
Inventories	7,862,757	7,862,757	7,862,757
Trade receivables	9,757,187	9,757,187	9,757,187
Other receivables	1,623,017	1,623,017	1,623,017
Tax assets	332	332	332
Short-term deposits with a licensed bank	499,192	499,192	499,192
Cash and bank balances	91,980	15,816,943	24,111,671
	<u>20,312,791</u>	<u>36,037,754</u>	<u>44,332,482</u>
<b>TOTAL ASSETS</b>	<u>52,346,168</u>	<u>68,071,131</u>	<u>76,365,859</u>
<b>EQUITY</b>			
Share capital	49,768,368	66,357,824	74,652,552
Share premium	2,555,100	-	8,626,517
Warrant reserves	-	8,626,517	-
ESOS reserves	50	50	50
Accumulated losses	(13,509,456)	(20,380,873) *	(20,380,873)
<b>TOTAL EQUITY</b>	<u>38,814,062</u>	<u>54,603,518</u>	<u>62,898,246</u>
<b>NON-CURRENT LIABILITIES</b>			
Hire purchase payables	61,795	61,795	61,795
Deferred tax liabilities	2,173,345	2,173,345	2,173,345
	<u>2,235,140</u>	<u>2,235,140</u>	<u>2,235,140</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	3,683,121	3,683,121	3,683,121
Other payables	1,601,136	1,601,136	1,601,136
Amount owing to associated company	870,353	870,353	870,353
Amount owing to directors	4,845,029	4,845,029	4,845,029
Hire purchase payables	17,058	17,058	17,058
Bank borrowings	95,993	31,500	31,500
Tax payable	184,276	184,276	184,276
	<u>11,296,966</u>	<u>11,232,473</u>	<u>11,232,473</u>
<b>TOTAL LIABILITIES</b>	<u>13,532,106</u>	<u>13,467,613</u>	<u>13,467,613</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>52,346,168</u>	<u>68,071,131</u>	<u>76,365,859</u>
No of shares	199,073,473 @ RM0.25 per share	265,431,297 @ RM0.25 per share	298,610,209 @ RM0.25 per share
Net assets	<u>38,814,062</u>	<u>54,603,518</u>	<u>62,898,246</u>
NA per share (RM)	<u>0.19</u>	<u>0.21</u>	<u>0.21</u>
Borrowings	<u>174,846</u>	<u>110,353</u>	<u>110,353</u>
Gearing (times)	<u>0.0045</u>	<u>0.0020</u>	<u>0.0018</u>

\* After deducting estimated expenses in relation to the Proposal of RM800,000 and fair value adjustment of the Rights Warrants of RM8.6 million

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF HCIB AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

**HARVEST COURT INDUSTRIES BERHAD  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARY COMPANIES**

**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012**



The Proforma Consolidated Statement of Financial Position are based on the assumption of none of the outstanding 439,900 ESOS Options and 70,760,472 existing warrants 2009/2019 as at 5 July 2013 are exercised prior to the Entitlement Date.

**1. Proforma I**

**Right Issue with Warrants**

**Minimum Subscription Level**

Proforma I incorporates the rights issue of 27,613,232 Right Shares together with 13,806,616 Rights Warrants on the basis of two (2) Rights Shares and one (1) Rights Warrant for every six (6) existing Shares held in HCIB with the assumption that only the undertaking parties subscribes in full its Rights Shares Entitlement together with any excess and the undertaking portion to meet the minimum subscription level.

The issue price for the Rights Shares is fixed at RM0.25 per Right Share.

It is also assumed that the fair value of Warrants is RM0.26 per Warrant. The actual quantum of Warrant Reserve will be only determined upon issuance of the Warrants. As such, the actual quantum may differ from the indicative fair value of Warrants.

The fair value recognised in reserves would be as follows:

Total Warrants (number of Warrants)	13,806,616
Fair value per Warrant (RM)	0.26
Total fair value (RM)	3,589,720

Upon the exercise of the Warrants, the entire Warrant Reserve will be reclassified as share premium.

The proceeds arising from the exercise are proposed to be utilised as follows:

	RM'000
Working capital of HCIB and its subsidiary companies requirements:	
(a) Construction division	4,272
(b) Timber division	1,831
Defrayal of estimated expenses <sup>(1)</sup>	800
	6,903

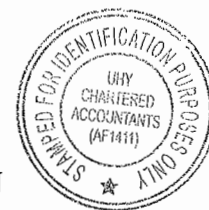
Note:

(1) For illustrative purposes, the defrayal of estimated expenses relating to the Rights Issue with Warrants are estimated to be RM0.80 million and will be charged to the statements of comprehensive income.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF HCIB AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

**HARVEST COURT INDUSTRIES BERHAD  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARY COMPANIES**

**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012**



**1. Proforma I (Cont'd)**

**Right Issue with Warrants (Cont'd)**

**Full Subscription Level**

Proforma I incorporates the rights issue of up to 66,357,824 Right Shares together with up to 33,178,912 Rights Warrants on the basis of two (2) Rights Shares and one (1) Rights Warrant for every six (6) existing Shares held in HCIB.

The issue price for the Rights Shares is fixed at RM0.25 per Right Share.

It is also assumed that the fair value of Warrants is RM0.26 per Warrant. The actual quantum of Warrant Reserve will be only determined upon issuance of the Warrants. As such, the actual quantum may differ from the indicative fair value of Warrants.

The fair value recognised in reserves would be as follows:

Total Warrants (number of Warrants)	33,178,912
Fair value per Warrant (RM)	0.26
Total fair value (RM)	8,626,517

Upon the exercise of the Warrants, the entire Warrant Reserve will be reclassified as share premium.

The proceeds arising from the exercise are expected to be utilised as follows:

	RM'000
Working capital of HCIB and its subsidiary companies requirements:	
(a) Construction division	11,008
(b) Timber door division	4,718
Repayment of bank borrowings	64
Defrayal of estimated expenses <sup>(1)</sup>	800
	16,590

Note:

(1) For illustrative purposes, the defrayal of estimated expenses relating to the Rights Issue with Warrants are estimated to be RM0.80 million and will be charged to the statements of comprehensive income.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF HCIB AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

**HARVEST COURT INDUSTRIES BERHAD  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARY COMPANIES**

**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012**



**2. Proforma II**

**After Proforma I and Full Exercise of Warrants**

**Minimum Subscription Level**

Proforma II incorporates the effects of Proforma I and the full exercise of Warrants at the exercise price of RM0.25 into 13,806,616 new ordinary shares of RM0.25 each in HCIB.

**Full Subscription Level**

Proforma II incorporates the effects of Proforma I and the full exercise of Warrants at the exercise price of RM0.25 into 33,178,912 new ordinary shares of RM0.25 each in HCIB.

**The movements of the issued and paid-up share capital, share premium and reserves of HCIB Group are as follows:**

**Minimum Subscription Level**

	<b>Share capital RM</b>	<b>Share premium RM</b>	<b>Warrant reserves RM</b>	<b>ESOS reserves RM</b>	<b>Accumulated losses RM</b>
As at 31 December 2012	49,768,368	2,555,100	-	50	(13,509,456)
Right Issues with Warrants	6,903,308	(2,555,100)	3,589,720	-	(1,834,620)
Proforma I	56,671,676	-	3,589,720	50	(15,344,076)
Full Exercise of Warrants	3,451,654	3,589,720	(3,589,720)	-	-
Proforma II	60,123,330	3,589,720	-	50	(15,344,076)

**Full Subscription Level**

	<b>Share capital RM</b>	<b>Share premium RM</b>	<b>Warrant reserves RM</b>	<b>ESOS reserves RM</b>	<b>Accumulated losses RM</b>
As at 31 December 2012	49,768,368	2,555,100	-	50	(13,509,456)
Right Issues with Warrants	16,589,456	(2,555,100)	8,626,517	-	(6,871,417)
Proforma I	66,357,824	-	8,626,517	50	(20,380,873)
Full Exercise of Warrants	8,294,728	8,626,517	(8,626,517)	-	-
Proforma II	74,652,552	8,626,517	-	50	(20,380,873)

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON****HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)**FINANCIAL STATEMENTS****31 DECEMBER 2012****INDEX**

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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- 1 -

**HARVEST COURT INDUSTRIES BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

**Principal Activities**

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year except as disclosed in Note 6 to the financial statements.

**Financial Results**

	Group RM	Company RM
Net profit/(loss) for the financial year	<u>140,405</u>	<u>(2,852,431)</u>
Attributable to:		
Owners of the parent	166,902	
Non-controlling interests	<u>(26,497)</u>	
	<u>140,405</u>	

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

**Dividend**

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the financial year under review.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 2 -

**Reserves and Provisions**

There were no material transfers to or from reserves or provisions during the financial year under review other than those disclosed in the financial statements.

**Issue of Shares and Debentures**

During the financial year, the Company increased its:

- (a) authorised share capital by the creation of 400,000,000 ordinary shares from 400,000,000 ordinary shares of RM0.25 each to 800,000,000 ordinary shares of RM0.25 each;
- (b) issued and paid-up share capital by the issuance of 1,056,000 new ordinary shares of RM0.25 each pursuant to the exercise of options granted under the Company's Employee Share Option Scheme ("ESOS") at the exercise price of RM0.25 each; and
- (c) issued and paid-up share capital by the issuance of 16,700,000 new ordinary shares of RM0.25 each through private placement at issue price of RM0.403 each.

The total issued capital of the Company as at the financial year end stands at 199,073,473 ordinary shares of RM0.25 each and the paid-up share capital is RM49,768,368.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There were no issues of debentures during the financial year under review.

**Warrants**

The warrants 2009/2019 was constituted under the Deed Poll dated 23 October 2009.

As at 31 December 2012, the total numbers of warrants that remain unexercised were 70,760,472.

**Options Granted Over Unissued Shares**

No options were granted to any person to take up unissued shares of the Company during the financial year under review, except for the ESOS.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 3 -

**ESOS**

The Company's ESOS was approved by shareholders at the Extraordinary General Meeting on 3 March 2010 and became effective on 23 March 2010 for a period of 5 years, and will lapse on 22 March 2015.

The salient features and other terms of the ESOS are disclosed in Note 30 to the financial statements.

The Company has been granted exemption pursuant to Section 169(11) of the Companies Act, 1965 by the Companies Commission of Malaysia from having to disclose the names of option holders, other than Directors, who have been granted options to subscribe for less than 266,000 ordinary shares of RM0.25 each.

The movement of options over unissued shares of the Company granted under ESOS during the financial year are disclosed in Note 30 to the financial statements. No ESOS was granted during the financial year.

Details of the options granted to Directors are disclosed in the section on Directors' Interests of this report.

**Directors**

The Directors of the Company who served since the date of the last report are as follows:

Datuk Raymond Chan Boon Siew	
Chua Eng Chin	
Zainuri bin Zainal	
Dato' Mohamed Amir Abas bin Zainal Azim	
Ng Wai Han	Appointed on 4 September 2012
Datuk Tan Choon Hwa (JMK, JP)	Appointed on 4 September 2012
Woo Mun Chee	Appointed on 4 September 2012
Ng Swee Kiat	Resigned on 1 October 2012
Sukhinderjit Singh Muker	Resigned on 5 September 2012

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**Directors' Interests**

Details of holdings and deemed interests in the share capital, options and warrants over the shares of the Company or its related corporations by the Directors in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:

	No. of ordinary shares of RM0.25 each			
	At 1.1.2012	Acquired	Disposed	At 31.12.2012
<b>Harvest Court Industries Berhad</b>				
Direct interest:				
Datuk Raymond Chan Boon Siew	28,954,509	1,386,300	-	29,740,809
Zainuri bin Zainal	201,600	200,000	100,000	301,600
Chua Eng Chin	-	230,000	-	230,000
Dato' Mohamed Amir Abas bin Zainal Azim	500	200,000	50,000	200,500
Woo Mun Chee	18,000	-	-	18,000
Ng Wai Han	-	300,000	-	300,000

	No. of option over ordinary shares of RM0.25 each (ESOS)			
	At 1.1.2012	Granted	Exercised	At 31.12.2012
<b>Harvest Court Industries Berhad</b>				
Direct interest:				
Zainuri bin Zainal	200,000	-	200,000	-
Chua Eng Chin	230,000	-	230,000	-
Dato' Mohamed Amir Abas bin Zainal Azim	200,000	-	200,000	-

By virtue of the interest in the share capital of the Company, Datuk Raymond Chan Boon Siew is also deemed interested in the shares of its related corporations to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares and options of the Company or its related corporations during the financial year under review.

**Directors' Benefits**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remunerations received by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those disclosed in Note 35 the financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 5 -

Neither during nor at the end of the financial year, was the Company or its subsidiary companies a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those arising from the share options granted under the Company's ESOS.

**Other Statutory Information**

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that no allowance for doubtful debts were necessary; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make allowance for doubtful debts in the financial statements of the Group and of the Company;
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
  - (iii) any amount stated in the financial statements of the Group and of the Company misleading; and
  - (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) No contingent or other liabilities have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.
- (d) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

**Significant Events**

The significant events are disclosed in Note 33 to the financial statements.

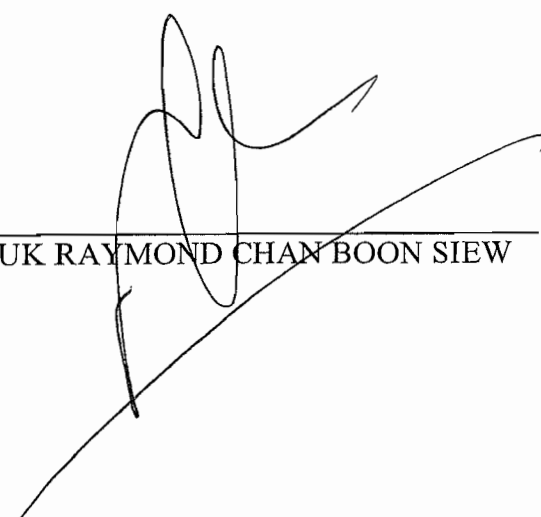
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 6 -

**Auditors**

The auditors, UHY, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 April 2013.



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DATUK RAYMOND CHAN BOON SIEW



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CHUA ENG CHIN

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)**STATEMENT BY DIRECTORS**  
**Pursuant to Section 169(15) of the Companies Act, 1965**

We, DATUK RAYMOND CHAN BOON SIEW and CHUA ENG CHIN, being two of the Directors of HARVEST COURT INDUSTRIES BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 12 to 92 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on Page 93 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 April 2013.



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DATUK RAYMOND CHAN BOON SIEW

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CHUA ENG CHIN

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 8 -

**HARVEST COURT INDUSTRIES BERHAD**

(Incorporated in Malaysia)

**STATUTORY DECLARATION**

**Pursuant to Section 169(16) of the Companies Act, 1965**

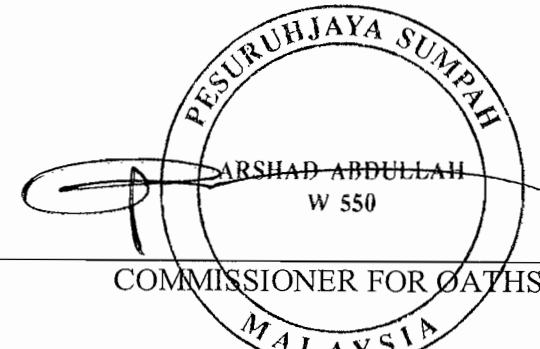
I, MAZLAN BIN MOHAMAD, being the Officer primarily responsible for the financial management of HARVEST COURT INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 12 to 92 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed MAZLAN BIN )  
MOHAMAD at KUALA LUMPUR in )  
the Federal Territory this 25 April )  
2013



MAZLAN BIN MOHAMAD

Before me,



COMMISSIONER FOR OATHS

NO. 102 & 104 1<sup>st</sup> FLOOR BANGUNAN  
PERSATUAN YAP SELANGOR  
JALAN TUN HS LEE  
50000 KUALA LUMPUR



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HARVEST COURT INDUSTRIES BERHAD**

(Company No.: 36998 - T)  
(Incorporated in Malaysia)

**UHY** (AF1411)  
**Chartered Accountants**  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

Phone +60 3 2279 3088  
Fax +60 3 2279 3099  
Email [uhykl@uhy.com.my](mailto:uhykl@uhy.com.my)  
Web [www.uhy.com.my](http://www.uhy.com.my)

**Report on the Financial Statements**

We have audited the financial statements of Harvest Court Industries Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 92.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 10 -

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARVEST COURT INDUSTRIES BERHAD (CONT'D)**

(Company No.: 36998 - T)  
(Incorporated in Malaysia)

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the followings:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out on Page 93 is solely disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 11 -

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HARVEST COURT INDUSTRIES BERHAD (CONT'D)**

(Company No.: 36998 - T)  
(Incorporated in Malaysia)

**Other Matters**

1. As stated in Notes 2(a) and 38 to the financial statements, Harvest Court Industries Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY  
Firm Number: AF 1411  
Chartered Accountants

LO KUAN CHE  
Approved Number: 3016/11/14 (J)  
Chartered Accountant

KUALA LUMPUR  
25 APR 2013

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012**

Note	Group		Company	
	31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM
				1.1.2011 RM
<b>Non-Current Assets</b>				
5	31,214,916	32,870,341	9,271,897	10,259,553
6	-	-	12,922,104	13,890,899
7	818,461	-	823,166	-
	<u>32,033,377</u>	<u>32,870,341</u>	<u>23,017,167</u>	<u>24,004,551</u>
<b>Current Assets</b>				
8	7,862,757	8,752,722	-	-
9	9,757,187	505,200	-	-
10	1,623,017	1,183,204	1,365,249	217,342
11	478,326	-	-	-
12	-	-	21,868,648	17,618,750
13	332	332	-	-
14	499,192	267,777	499,192	-
	91,980	185,372	2,193	8,402
	<u>20,312,791</u>	<u>10,894,607</u>	<u>23,735,282</u>	<u>19,157,591</u>
	<u>52,346,168</u>	<u>43,764,948</u>	<u>46,752,449</u>	<u>41,849,045</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012 (CONT'D)**

	Note	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Equity</b>							
Share capital	15	49,768,368	45,329,368	42,980,593	49,768,368	45,329,368	42,980,593
Share premium	16	2,555,100	-	-	2,555,100	-	-
ESOS reserve	17	50	8,550	-	50	8,550	-
Accumulated losses		(13,509,456)	(13,684,858)	(12,059,139)	(21,267,800)	(18,423,869)	(18,418,413)
<b>Equity attributable to owners of the parent</b>		<b>38,814,062</b>	<b>31,653,060</b>	<b>30,921,454</b>	<b>31,055,718</b>	<b>26,914,049</b>	<b>24,562,180</b>
Non-controlling interests		-	641,188	-	-	-	-
<b>Total Equity</b>		<b>38,814,062</b>	<b>32,294,248</b>	<b>30,921,454</b>	<b>31,055,718</b>	<b>26,914,049</b>	<b>24,562,180</b>
<b>Non-Current Liabilities</b>							
Hire purchase payables	18	61,795	80,733	18,058	-	-	-
Deferred tax liabilities	19	2,173,345	2,254,400	2,335,455	1,115,393	1,174,761	1,234,129
		<u>2,235,140</u>	<u>2,335,133</u>	<u>2,353,513</u>	<u>1,115,393</u>	<u>1,174,761</u>	<u>1,234,129</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012 (CONT'D)**

	Note	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Current Liabilities</b>							
Trade payables	20	3,683,121	1,783,183	659,628	-	-	-
Other payables	21	1,601,136	6,735,994	6,990,334	684,266	5,361,993	5,872,344
Amounts owing to subsidiary companies	12	-	-	-	8,174,699	9,328,355	10,084,333
Amount owing to associated company	12	870,353	-	-	877,344	-	-
Amounts owing to Directors	22	4,845,029	35,057	14,913	4,845,029	35,057	14,913
Hire purchase payables	18	17,058	17,832	17,786	-	-	-
Bank borrowing	23	95,993	205,493	255,493	-	-	-
Tax payable		184,276	358,008	528,077	-	-	81,146
		<u>11,296,966</u>	<u>9,135,567</u>	<u>8,466,231</u>	<u>14,581,338</u>	<u>14,725,405</u>	<u>16,052,736</u>
<b>Total Liabilities</b>		<u>13,532,106</u>	<u>11,470,700</u>	<u>10,819,744</u>	<u>15,696,731</u>	<u>15,900,166</u>	<u>17,286,865</u>
<b>Total Equity and Liabilities</b>		<u>52,346,168</u>	<u>43,764,948</u>	<u>41,741,198</u>	<u>46,752,449</u>	<u>42,814,215</u>	<u>41,849,045</u>

The accompanying notes form an integral part of the financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 15 -

**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Revenue	24	24,341,007	11,614,251	-	-
Cost of sales	25	(20,230,214)	(9,828,877)	-	-
Gross profit		<u>4,110,793</u>	<u>1,785,374</u>	-	-
Other income		459,417	377,809	595,807	729,190
Administration expenses		(4,077,264)	(3,437,227)	(3,507,606)	(852,464)
Distribution costs		(423,839)	(473,549)	-	-
Finance costs	26	(5,052)	(5,389)	-	-
Share of results of associate		(4,705)	-	-	-
Profit/(Loss) before taxation	27	<u>59,350</u>	<u>(1,752,982)</u>	<u>(2,911,799)</u>	<u>(123,274)</u>
Taxation	28	81,055	63,723	59,368	59,368
Net profit/(loss) for the financial year, representing total comprehensive income for the financial year		<u>140,405</u>	<u>(1,689,259)</u>	<u>(2,852,431)</u>	<u>(63,906)</u>
Net profit/(loss) for the financial year attributable to:					
Owners of the parent		166,902	(1,684,169)		
Non-controlling interests		<u>(26,497)</u>	<u>(5,090)</u>		
		<u>140,405</u>	<u>(1,689,259)</u>		
Earnings/(Loss) per share attributable to owners of the parent (sen):					
Basic	29(a)	<u>0.09</u>	<u>(0.97)</u>		
Fully diluted	29(b)	<u>0.08</u>	<u>(0.97)</u>		

The accompanying notes form an integral part of the financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

Group	Note	Attributable to Owners of the Parent					Total equity RM
		Share capital RM	ESOS reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	
At 1 January 2011		42,980,593	-	(12,059,139)	30,921,454	-	30,921,454
Net loss for the financial year, representing total comprehensive income for the year		-	-	(1,684,169)	(1,684,169)	(5,090)	(1,689,259)
		42,980,593	-	(13,743,308)	29,237,285	(5,090)	29,232,195
Transaction with owners							
Issuance of shares pursuant to ESOS	15	2,348,775	-	-	2,348,775	-	2,348,775
Share option granted under ESOS	17	-	67,000	-	67,000	-	67,000
Share option exercised	17	-	(58,450)	58,450	-	-	-
Disposal of investment in a subsidiary company		-	-	-	-	646,278	646,278
At 31 December 2011		45,329,368	8,550	(13,684,858)	31,653,060	641,188	32,294,248



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 17 -

**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

Group	Note	Attributable to Owners of the Parent						Total equity RM
		Share capital RM	Share Premium RM	ESOS reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	
At 1 January 2012		45,329,368	-	8,550	(13,684,858)	31,653,060	641,188	32,294,248
Net profit for the financial year, representing total comprehensive income for the year		-	-	-	166,902	166,902	(26,497)	140,405
Transaction with owners								
Issuance of shares pursuant to ESOS	15	264,000	-	-	-	264,000	-	264,000
Issuance of shares pursuant to private placement	15, 16	4,175,000	2,555,100	-	-	6,730,100	-	6,730,100
Share option exercised	17	-	-	(8,500)	8,500	-	-	-
Reclassification of investment in subsidiary company to associated company		-	-	-	-	-	(614,691)	(614,691)
At 31 December 2012		49,768,368	2,555,100	50	(13,509,456)	38,814,062	-	38,814,062

The accompanying notes form an integral part of the financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

- 18 -

**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

Company	Note	Share capital RM	Non-Distributable		Accumulated losses RM	Total equity RM
			ESOS reserve RM	ESOS reserve RM		
At 1 January 2011		42,980,593	-	-	(18,418,413)	24,562,180
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	-	(63,906)	(63,906)
Transaction with owners						
Issuance of share pursuant to ESOS	15	2,348,775	-	-	-	2,348,775
Share option granted under ESOS	17	-	67,000	-	-	67,000
Share option exercised	17	-	(58,450)	-	58,450	-
At 31 December 2011		45,329,368	8,550	-	(18,423,869)	26,914,049

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

Company	Note	Non-Distributable			Accumulated losses RM	Total equity RM
		Share capital RM	Share Premium RM	ESOS reserve RM		
At 1 January 2012		45,329,368	-	8,550	(18,423,869)	26,914,049
Net loss for the financial year representing total comprehensive income for the financial year		-	-	-	(2,852,431)	(2,852,431)
Transaction with owners						
Issuance of shares pursuant to ESOS	15	264,000	-	-	-	264,000
Share option exercised	17	-	-	(8,500)	8,500	-
Issuance of shares pursuant to private placement	15, 16	4,175,000	2,555,100	-	-	6,730,100
At 31 December 2012		<u>49,768,368</u>	<u>2,555,100</u>	<u>50</u>	<u>(21,267,800)</u>	<u>31,055,718</u>

The accompanying notes form an integral part of the financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Cash Flows From Operating Activities</b>				
Profit/(Loss) before taxation	59,350	(1,752,982)	(2,911,799)	(123,274)
Adjustments for:				
Bad debts written off	-	185,957	-	-
Depreciation of property, plant and equipment	1,416,721	1,412,843	493,828	493,828
Gain on disposal of property, plant and equipment	(140,857)	(118,123)	-	-
Impairment on amounts owing by subsidiary companies	-	-	1,123,513	-
Interest expenses	5,052	5,389	-	-
Interest income	(14,138)	(3,321)	(14,138)	(1,180)
Loss on disposal of investment in subsidiary company	-	-	-	553,722
Loss on remeasurement of investment in subsidiary company to associated company	-	-	86,929	-
Prepayments written off	-	365,000	-	-
Reversal of impairment loss on investment in a subsidiary company	-	-	-	(1,287,201)
Reversal of impairment on trade and other receivables	-	(117,228)	-	-
Share of loss of associated company	4,705	-	-	-
Share option granted under ESOS	-	67,000	-	8,300
Unrealised gain on foreign exchange	(3,916)	(19,945)	-	-
Waiver of debts on payables	-	(70,561)	-	-
Operating profit/(loss) before working capital changes	1,326,916	(45,971)	(1,221,667)	(355,805)
Increase/(Decrease) in working capital				
Inventories	889,965	(2,484,271)	-	-
Trade and other receivables	(10,629,948)	779,287	(402,851)	(745,056)
Trade and other payables	(3,175,431)	939,776	(4,677,727)	(510,351)
Amounts owing by subsidiary companies	-	-	(5,009,254)	353,375
Amounts owing to subsidiary companies	-	-	(1,153,656)	(755,978)
Amount owing by contract customer	(478,326)	-	-	-
Amount owing to associated company	870,353	-	877,344	-
Amounts owing to Directors	4,809,972	20,144	4,809,972	20,144
	(7,713,415)	(745,064)	(5,556,172)	(1,637,866)
Cash used in operations	(6,386,499)	(791,035)	(6,777,839)	(1,993,671)

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

	Note	Group 2012 RM	2011 RM	Company 2012 RM	2011 RM
Interest received		14,138	3,321	14,138	1,180
Interest paid		(5,052)	(5,389)	-	-
Tax paid		(173,732)	(187,401)	-	(93,700)
		(164,646)	(189,469)	14,138	(92,520)
Net cash used in operating activities		(6,551,145)	(980,504)	(6,763,701)	(2,086,191)
<b>Cash Flows From Investing Activities</b>					
Reclassification of investment in subsidiary company to associated company		(9,534)	-	-	-
Purchase of property, plant and equipment	5(a)	(313,086)	(2,639,877)	-	-
Proceeds from disposal of property, plant and equipment		146,899	262,865	-	-
Net cash used in investing activities		(175,720)	(2,377,012)	-	-
<b>Cash Flows From Financing Activities</b>					
Proceeds from issuance of shares		6,994,100	2,348,775	6,994,100	2,348,775
Repayment of hire purchase Payables		(19,712)	(37,279)	-	-
Repayment of bank borrowing		(109,500)	(50,000)	-	-
Net cash generated from financing activities		6,864,888	2,261,496	6,994,100	2,348,775
<b>Net increase/(decrease) in cash and cash equivalents</b>		138,023	(1,096,020)	230,399	262,584
<b>Cash and cash equivalents at beginning of the financial year</b>		453,149	1,549,169	270,986	8,402
<b>Cash and cash equivalents at end of the financial year</b>		591,172	453,149	501,385	270,986
<b>Cash and cash equivalents at end of financial year comprises:</b>					
Cash and bank balances		91,980	185,372	2,193	3,209
Short term deposits with a licensed bank		499,192	267,777	499,192	267,777
		591,172	453,149	501,385	270,986

The accompanying notes form an integral part of the financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**HARVEST COURT INDUSTRIES BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS****1. Corporate Information**

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 6. There have been no significant changes in the nature of these activities during the year except for a subsidiary company which included construction and interior design fit up works as its principal activity.

The Company is a public limited liability company, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia, and is listed on Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur and the principal place of business of the Company is located at Lot 450, Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan.

**2. Basis of Preparation****(a) Statement of Compliance**

The financial statements of the Group and of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in compliance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the Companies Act, 1965 in Malaysia.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRS"). These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**2. Basis of Preparation (Cont'd)**
**(a) Statement of Compliance (Cont'd)**

The Group and the Company have not applied the following MFRSs, Issues Committee ("IC") Interpretation and Amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group and the Company:

		<u>Effective date for financial periods beginning on or after</u>
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Improvements to MFRSs (2012)		1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9 (IFRS 9 as issued by IASB in November 2009)	Financial Instruments	1 January 2015
MFRS 9 (IFRS 9 as issued by IASB in October 2010)	Financial Instruments	1 January 2015

The Group and the Company intend to adopt the above MFRSs, IC Interpretations and Amendments to MFRSs when they become effective.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**2. Basis of Preparation (Cont'd)****(a) Statement of Compliance (Cont'd)**

The initial application of the standards which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior period's financial statements upon the first adoption.

The possible financial impacts of initial application of MFRSs, which will be applied retrospectively is as follows:

**MFRS 9 Financial Instruments**

MFRS 9 (IFRS 9 (2009)) replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial asset. MFRS 9 requires financial asset to be measured at fair value or amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

MFRS 9 (IFRS 9 (2010)) includes the requirements for the classification and measurement of financial liabilities and for derecognition. Measurement for financial liability designated as at fair value through profit or loss, requires the amount of change in the fair value of the financial liability, that is attributable to the change of credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Under MFRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently examining the financial impact of adopting MFRS 9.

**MFRS 10 Consolidated Financial Statements**

MFRS 10 replaces all the guidance on control and consolidation in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

MFRS 10 changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements.

The adoption of MFRS 10 may lead to consolidation of entities that were previously not included in the Group. The Group is currently examining the financial impact of application of MFRS 10.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**2. Basis of Preparation (Cont'd)****(a) Statement of Compliance (Cont'd)**

The possible financial impacts of initial application of MFRSs, which will be applied retrospectively is as follows: (Cont'd)

**MFRS 13 Fair Value Measurement**

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. The definition of fair value under this standard emphasises the principle that fair value is a market-based measurement, not an entity specific measurement.

The adoption of MFRS 13 will result in a change in accounting policy. The Group and the Company are currently examining the financial impact of adopting MFRS 13.

**MFRS 119 Employee Benefits (2011)**

This revised MFRS 119 will supersede the existing MFRS 119 when effective. This new standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. Past service costs, whether unvested or already vested, are recognised immediately in the profit or loss as incurred and the annual defined benefit costs in the profit or loss will include net interest expense/income on the defined benefit asset/liability.

The adoption of MFRS 119 (2011) will result in a change in accounting policy. The Group and the Company are currently examining the financial impact of adopting MFRS 119 (2011).

**MFRS 127 Separate Financial Statements (2011)**

Upon the adoption of MFRS 10, the accounting requirements relating to the preparation of consolidated financial statements are no longer covered under MFRS 127. This revised MFRS 127 only cover the requirements relating to the accounting for investments in subsidiary companies, associated companies and joint ventures in the separate financial statements of the entity. In such cases, the entity should account for such investments either at cost, or in accordance with MFRS 9.

The adoption of MFRS 127 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 127 (2011).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**2. Basis of Preparation (Cont'd)****(a) Statement of Compliance (Cont'd)**

The possible financial impacts of initial application of MFRSs, which will be applied retrospectively is as follows: (Cont'd)

**MFRS 128 Investments in Associates and Joint Ventures (2011)**

This revised MFRS 128 incorporates the requirements for accounting for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11. However, the revised MFRS 128 exempts the investor from applying equity accounting in certain circumstances, i.e. where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

The adoption of MFRS 128 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 128 (2011).

**(b) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (RM), which is the Group's and the Company's functional currency.

**3. Significant Accounting Estimates and Judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

**(i) Depreciation of property, plant and equipment**

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as disclosed in Note 4(b)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage could impact the useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and of the Company's property, plant and equipment at 31 December 2012 are disclosed in Note 5.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**3. Significant Accounting Estimates and Judgements (Cont'd)****(ii) Impairment of investments in subsidiary companies**

The carrying values of investments in subsidiary companies are reviewed for impairment. In the determination of the value in use of the investments, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investments in subsidiary companies as at 31 December 2012 is disclosed in Note 6.

**(iii) Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

**(iv) Income taxes**

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide and the Company-wide provision for income taxes. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**(v) Employees' Share Option Scheme ("ESOS")**

The fair value of share options granted during the financial year was estimated by the management using the Black-Scholes-Merton model, taking into accounts the terms and conditions upon which the options were granted. The fair value of share options was measured at Grant Date. The principal assumption used in the fair value estimation is disclosed in Note 30.

**(vi) Construction contracts**

The Group recognises construction contracts based on stage of completion method. Revenue recognised from construction contracts reflects management's best estimate about each contract's outcome and stage of completion. The Group assesses the profitability of on-going construction contracts and the order backlog at least monthly, using project management procedures. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**3. Significant Accounting Estimates and Judgements (Cont'd)****(vii) Inventories written down**

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories.

**4. Significant Accounting Policies****(a) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies and its associated company through equity accounting, which are made up to the end of the financial year.

In the Company's separate financial statements, investments in subsidiary companies and investment in associated company are stated at cost less impairment losses. On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss.

**(i) Subsidiary companies**

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for acquisition of a subsidiary is measured as the fair value of the assets given, equity instruments issued and or liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities as well as contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(a) Basis of consolidation (Cont'd)****(i) Subsidiary companies (Cont'd)**

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised together with the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statements of comprehensive income.

Non-controlling interest is the equity in a subsidiary company not attributable, directly or indirectly, to the Group. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary company is attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in deficits in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

**(ii) Associate companies**

Associate companies are entities in which the Group has significant influence, but no control, over their financial and operating policies. Investments in associate companies are accounted for using the equity method of accounting. Investments in associate companies include goodwill identified on acquisition, net of any accumulated impairment loss.

Equity accounting involves recording investments in associate companies initially at cost, and recognising the Group's share of its associate companies' post-acquisition results and its share of post-acquisition net results and other changes to comprehensive income against the carrying amount of the investments. When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate company.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(a) Basis of consolidation (Cont'd)****(ii) Associate companies (Cont'd)**

When the Group's interest in an associate company reduces but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Unrealised gains and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate.

**(b) Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 4(f).

**(i) Recognition and measurement**

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**4. Significant Accounting Policies (Cont'd)****(b) Property, plant and equipment (Cont'd)****(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit and loss as incurred.

**(iii) Depreciation**

Depreciation is recognised in the profit and loss on a straight-line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	Remaining lease periods of 18 to 38 years
Leasehold buildings	50 years
Plant and machinery	3 - 20 years
Office furniture, fittings and equipment	10 - 20 years
Motor vehicles	5 - 10 years
Electrical installation	20 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each financial year end.

**(iv) Derecognition**

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to the profit and loss. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(c) Financial assets**

Financial assets are recognised on the statements of financial position when, and only when the Group and the Company become a party to the contractual provisions of the financial instrument.

**(i) Classification**

The Group and the Company classify their financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets.

**(ii) Recognition and initial measurement**

Financial assets are initially recognised at fair value plus transaction costs.

**(iii) Subsequent measurement**

Loans and receivables are subsequently carried at amortised cost using the effective interest method.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(c) Financial assets (Cont'd)****(iv) Impairment**

The Group and the Company assess at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

*Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, it is written off against the related accumulated impairment losses account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the profit and loss.

**(v) Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

**(d) Determination of fair value**

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value is measured in accordance with the valuation methodologies as set out in Note 36(f).

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(e) Financial liabilities**

Financial liabilities are recognised on the statements of financial position when, and only when the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method.

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities comprise trade and other payables and borrowings. Financial liabilities are classified as current liabilities; except for maturities more than 12 months after the reporting date, in which case they are classified as non-current liabilities.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(f) Impairment of non-financial assets**

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in the profit and loss in the period in which it arises. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units (groups of units) and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(f) Impairment of non-financial assets (Cont'd)**

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit and loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

**(g) Inventories**

Inventories of raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the first in, first out method. The cost of raw materials comprises the original cost of purchase plus the cost of bringing the stocks to its present location and condition.

The cost of work-in-progress and finished goods consist of raw materials, direct labour, other direct costs and appropriate proportion of production overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

**(h) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the borrowings are made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the financial year.

All other borrowing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(i) Leases and hire purchase**

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incident to ownership. All other leases are treated as operating leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Group's or the Company's incremental borrowing rate is used.

Lease and hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the profit and loss over the term of the relevant lease so as to produce a constant periodic rate of charges on the remaining balance of the obligations for each reporting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the profit and loss on a straight line basis over the term of the relevant lease.

**(j) Share capital**

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the profit and loss.

Dividends on ordinary shares, when declared or proposed by the Directors of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year in which the dividends are paid.

**(k) Cash and cash equivalents**

Cash and cash equivalent consist of cash in hand, bank balances and deposits with banks which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalent are presented net of bank overdrafts and pledged deposits.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(l) Foreign currencies transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**(m) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

**(i) Goods sold and services rendered**

Revenue from sales of goods and services is recognised when significant risk and rewards have been transferred to the buyer, if any, or on performance of services, net of sales taxes and discounts.

**(ii) Interest income**

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

**(iii) Construction revenue**

Revenue from construction contracts is accounted in accordance to the accounting policies as described in Note 4(r).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(n) Employee benefits****(i) Short term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

**(ii) Defined contribution plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the profit and loss in the period to which they relate.

**(iii) ESOS**

The Company's ESOS, an equity-settled, share-based compensation plan, allows the Company and its subsidiary companies' employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting period, the Group revises its estimated number of options that are expected to become exercisable on vesting date. It recognised the impact of the revision of original estimates, if any, in the profit and loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option exercised, or expires, upon which it will transferred directly to retained earnings. The proceeds received, net of any directly attributable transaction costs, are credited to equity when the options are exercised.

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**4. Significant Accounting Policies (Cont'd)****(o) Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(p) Income taxes**

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the reporting period.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by reporting period. The carrying amount of a deferred tax asset is reviewed at each reporting period and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the profit and loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. Significant Accounting Policies (Cont'd)****(q) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group's Executive Board, to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

**(r) Construction contracts**

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion method is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

Irrespective of whether the outcome of a construction contract can be estimated reliably, when it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is presented as amounts due from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as amounts due to contract customers.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**5. Property, Plant and Equipment**

	Leasehold land RM	Leasehold buildings RM	Plant and machinery RM	Motor vehicles RM	Office furniture, fittings and equipment RM	Electrical installation RM	Total RM
<b>2012</b>							
<b>Group</b>							
<b>Cost</b>							
At 1 January 2012	10,258,373	20,074,098	10,725,618	140,000	137,232	757,084	42,092,405
Additions	-	153,103	133,965	-	7,648	18,370	313,086
Disposals	-	-	(899,192)	-	(1,500)	-	(900,692)
Reclassification of investment in subsidiary company to associated company	-	-	(646,278)	-	-	-	(646,278)
At 31 December 2012	10,258,373	20,227,201	9,314,113	140,000	143,380	775,454	40,858,521
<b>Accumulated depreciation</b>							
At 1 January 2012	493,533	1,090,557	6,889,251	2,333	112,784	633,606	9,222,064
Charge for the financial year	493,533	392,751	465,773	28,000	8,718	27,946	1,416,721
Disposals	-	-	(894,586)	-	(64)	-	(894,650)
Reclassification of investment in subsidiary company to associated company	-	-	(100,530)	-	-	-	(100,530)
At 31 December 2012	987,066	1,483,308	6,359,908	30,333	121,438	661,552	9,643,605
<b>Carrying amount</b>							
At 31 December 2012	9,271,307	18,743,893	2,954,205	109,667	21,942	113,902	31,214,916

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**5. Property, Plant and Equipment (Cont'd)**

<b>2011 Group Cost</b>	<b>Leasehold land RM</b>	<b>Leasehold buildings RM</b>	<b>Plant and machinery RM</b>	<b>Motor vehicles RM</b>	<b>Office furniture, fittings and equipment RM</b>	<b>Electrical installation RM</b>	<b>Total RM</b>
At 1 January 2011	10,258,373	17,751,345	9,379,880	285,324	123,841	-	37,798,763
Reclassification	-	(706,670)	(50,414)	-	-	757,084	-
Additions	-	3,029,423	1,793,060	140,000	14,255	-	4,976,738
Disposals	-	-	(396,908)	(285,324)	(864)	-	(683,096)
At 31 December 2011	10,258,373	20,074,098	10,725,618	140,000	137,232	757,084	42,092,405
<b>Accumulated depreciation</b>							
At 1 January 2011	-	1,290,172	6,670,726	282,039	104,638	-	8,347,575
Reclassification	-	(567,736)	(34,948)	-	-	602,684	-
Charge for the financial year	493,533	368,121	509,788	2,333	8,146	30,922	1,412,843
Disposals	-	-	(256,315)	(282,039)	-	-	(538,354)
At 31 December 2011	493,533	1,090,557	6,889,251	2,333	112,784	633,606	9,222,064
<b>Carrying amount</b>							
At 31 December 2011	9,764,840	18,983,541	3,836,367	137,667	24,448	123,478	32,870,341
<b>Carrying amount</b>							
At 1 January 2011	10,258,373	16,461,173	2,709,154	3,285	19,203	-	29,451,188

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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5. **Property, Plant and Equipment (Cont'd)**

	<b>Leasehold land RM</b>	<b>Office furniture, fittings and equipment RM</b>	<b>Total RM</b>
<b>2012</b>			
<b>Company</b>			
<b>At cost</b>			
At 1 January 2012/ 31 December 2012	10,258,373	27,629	10,286,002
<b>Accumulated depreciation</b>			
At 1 January 2012	493,533	26,744	520,277
Charge for the financial year	493,533	295	493,828
At 31 December 2012	987,066	27,039	1,014,105
<b>Carrying amount</b>			
At 31 December 2012	9,271,307	590	9,271,897
<b>2011</b>			
<b>Company</b>			
<b>At cost</b>			
At 1 January 2011/ 31 December 2011	10,258,373	27,629	10,286,002
<b>Accumulated depreciation</b>			
At 1 January 2011	-	26,449	26,449
Charge for the financial year	493,533	295	493,828
At 31 December 2011	493,533	26,744	520,277
<b>Carrying amount</b>			
At 31 December 2011	9,764,840	885	9,765,725
<b>Carrying amount</b>			
At 1 January 2011	10,258,373	1,180	10,259,553

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**5. Property, Plant and Equipment (Cont'd)**

- (a) The aggregate additional cost for the property, plant and equipment of the Group during the financial year under hire purchase financing, cash payment, transferred from inventories and consideration by way of disposal of investment in a subsidiary company are as follows:

	Group	
	31.12.2012	31.12.2011
	RM	RM
Aggregate costs	313,086	4,976,738
Less: Transferred from inventories	-	(1,590,583)
Less: Consideration by way of disposal of investment in a subsidiary company	-	(646,278)
Less: Hire purchase financing	-	(100,000)
Cash payment	<u>313,086</u>	<u>2,639,877</u>

- (b) The motor vehicles of the Group were acquired under hire purchase.
- (c) The leasehold land and leasehold building of the Group and of the Company have remaining lease period of less than 50 years.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**6. Investments in Subsidiary Companies**
**(a) Investments in subsidiary companies**

	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Unquoted shares, in Malaysia			
At cost	60,665,991	60,724,691	61,865,991
Less: Accumulated impairment	(46,833,792)	(46,833,792)	(48,120,993)
Less: Reclassified to investment in associated company	(910,095)	-	-
	<u>12,922,104</u>	<u>13,890,899</u>	<u>13,744,998</u>

**(b) The subsidiary companies and the shareholdings therein are as follows:**

Name of company	Effective interest			Principal activities
	31.12.2012 %	31.12.2011 %	1.1.2011 %	
<b>Direct holding:</b>				
Harvest Court (M) Sdn. Bhd.	100.0	100.0	100.0	Sawmilling and marketing of sawn timber (Temporary ceased operation)
Harvest Court Marketing Sdn. Bhd. ("HCMkt")	* -	60.0	100.0	Marketing of timber doors and other related products
Harvest Lumber Sdn. Bhd.	100.0	100.0	100.0	Manufacturing and marketing of timber doors and other related products
Harvest Court Corporation Sdn. Bhd.	100.0	100.0	100.0	Manufacturing and marketing of timber doors and other related products (Temporary ceased operation)
Harvest Exporter Sdn. Bhd. #	100.0	100.0	100.0	Construction and interior design fit up
Quantum Pro Sdn. Bhd.	100.0	100.0	100.0	Timber kiln drying

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**6. Investments in Subsidiary Companies (Cont'd)**

(b) The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of company	Effective interest			Principal activities
	31.12.2012 %	31.12.2011 %	1.1.2011 %	
<b>Direct holding:</b>				
Harvest Court Properties Sdn. Bhd. ("HCP")	100.0	100.0	100.0	Property development
Harvest Rimba Sdn. Bhd.	98.8	98.8	98.8	Property development and jetty operation (Temporary ceased operation)
Harvest Court Management Sdn. Bhd.	100.0	100.0	100.0	Investment holding
Harvest Court Constructions Sdn. Bhd. ("formerly known as Harvest Court Development Sdn. Bhd.")	100.0	100.0	100.0	Construction
Harvest Nation Sdn. Bhd.	100.0	100.0	100.0	Dormant (Ceased operation)
Timbeck (M) Sdn. Bhd.	100.0	100.0	100.0	Dormant

\* During the year, the Company loses the power to govern the financial and operating activities of HCMkt so as to obtain the benefits from its activities due to the change of management through a contractual agreement.

# During the year, the subsidiary, Harvest Exporter Sdn. Bhd. has recommenced operation by engaged in construction and interior design fit up.

All the subsidiary companies of the Company are incorporated in Malaysia.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**7. Investment in Associated Company**

(a)	Investment in associated company	Group		Company	
		31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM
	Unquoted shares, in Malaysia Transferred from investments in subsidiary companies, at cost (Note 6)	910,095	-	910,095	-
	Share of post acquisition reserve	(4,705)	-	-	-
		<u>905,390</u>	<u>-</u>	<u>910,095</u>	<u>-</u>
	Less: Loss on remeasurement of investment in subsidiary company to associated company	(86,929)	-	(86,929)	-
		<u>818,461</u>	<u>-</u>	<u>823,166</u>	<u>-</u>

(b) The associated company and the shareholdings therein are as follows:

Name of company	Effective interest		Principal activities
	31.12.2012 %	31.12.2011 %	
<b>Direct holding:</b>			
HCMT	60	-	Marketing of timber doors and other related products

The associated company of the Company is incorporated in Malaysia.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**7. Investment in Associated Company (Cont'd)**

- (c) The summarised financial information of the associated company, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 31.12.2012 RM
Total assets	1,468,935
Total liabilities	38,920
Revenue	378,601
Net loss for the financial year	<u>(7,842)</u>

**8. Inventories**

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
<b>At cost:</b>			
Raw materials	1,244,149	2,067,686	4,283,394
Work-in-progress	4,286,901	4,099,680	931,463
Finished goods	331,756	501,809	530,430
	<u>5,862,806</u>	<u>6,669,175</u>	<u>5,745,287</u>
<b>At net realisable value:</b>			
Work-in-progress	1,729,650	1,813,246	1,843,446
Finished goods	270,301	270,301	270,301
	<u>1,999,951</u>	<u>2,083,547</u>	<u>2,113,747</u>
	<u>7,862,757</u>	<u>8,752,722</u>	<u>7,859,034</u>

**9. Trade Receivables**

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Trade receivables	9,757,187	943,086	2,728,658
Less: Accumulated impairment	-	(437,886)	(547,043)
	<u>9,757,187</u>	<u>505,200</u>	<u>2,181,615</u>

The Group's normal trade credit terms range from 30 to 120 days (31.12.2011 and 1.1.2011: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**9. Trade Receivables (Cont'd)**

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Movements in impairment (individually assessed) during the financial year are as follows:

	Group	
	2012 RM	2011 RM
At 1 January	437,886	547,043
Reversal of impairment	-	(109,157)
Reclassification of investment in subsidiary company to associated company	(437,886)	-
At 31 December	<u>-</u>	<u>437,886</u>

Analysis of the trade receivables ageing is as follows:

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Neither past due nor impaired	5,326,954	461,534	628,710
Past due less than 30 days but not impaired	134,488	20,420	1,378,954
Past due for more than 30 days but not impaired	4,295,745	23,246	173,951
	<u>4,430,233</u>	<u>43,666</u>	<u>1,552,905</u>
	9,757,187	505,200	2,181,615
Impaired	-	437,886	547,043
	<u>9,757,187</u>	<u>943,086</u>	<u>2,728,658</u>

The Group has not recognised any impairment loss on receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

Included in trade receivables of the Group:

- (a) is an amount of RM6,182,260 (31.12.2011 and 1.1.2011: Nil) owing by company where a director of the Company has substantial financial interest; and
- (b) is an amount of RM890,356 (31.12.2011 and 1.1.2011: Nil) being retention sum relating to construction work in progress.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**10. Other Receivables**

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Other receivables	450,608	540	27,071	450,607	-	19,000
Deposits	1,060,021	1,040,928	155,600	914,421	895,328	110,000
Prepayments	112,388	141,736	525,260	221	67,070	88,342
	<u>1,623,017</u>	<u>1,183,204</u>	<u>707,931</u>	<u>1,365,249</u>	<u>962,398</u>	<u>217,342</u>
Less: Accumulated impairment	-	-	(8,071)	-	-	-
	<u>1,623,017</u>	<u>1,183,204</u>	<u>699,860</u>	<u>1,365,249</u>	<u>962,398</u>	<u>217,342</u>

Movements in impairment (individually assessed) during the financial year are as follows:

	2012 RM	Group 2011 RM
At 1 January	-	8,071
Reversal of impairment	-	(8,071)
At 31 December	<u>-</u>	<u>-</u>

The Group and the Company have not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

Included in other receivables of the Group and of the Company are amounts owing by company where a director of the Company has substantial financial interest of RM228,138 (31.12.2011 and 1.1.2011: Nil).

Included in deposits of the Group and of the Company are amounts paid for judgement sum and its related interest amounting to RM428,827 and RM375,594 (31.12.2011 and 1.1.2011: RM428,827 and RM356,502) respectively arising from the High Court judgment against the Company (plaintiff) in favour of the defendant as disclosed in Note 34(b).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**11. Amount Owing by Contract Customers**

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Construction costs incurred to date	8,332,486	-	-
Attributable profits	1,049,404	-	-
	<u>9,381,890</u>	<u>-</u>	<u>-</u>
Less: Progress billings	(8,903,564)	-	-
	<u>478,326</u>	<u>-</u>	<u>-</u>

**12. Amounts Owing by/to Subsidiary Companies / Amount Owing to Associated Company**
Amounts Owing by Subsidiary Companies

	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Amounts owing by subsidiary companies	22,992,161	17,924,207	17,618,750
Less: Accumulated impairment	(1,123,513)	-	-
	<u>21,868,648</u>	<u>17,924,207</u>	<u>17,618,750</u>

Movements in impairment (individually assessed) during the financial year are as follows:

	Company	
	2012 RM	2011 RM
At 1 January	-	-
Impairment made during the year	1,123,513	-
At 31 December	<u>1,123,513</u>	<u>-</u>

The amounts owing by subsidiary companies are unsecured, interest free advances and repayable on demand.

Amounts Owing to Subsidiary Companies / Associated Company

These represent unsecured, interest free advances and repayable on demand.

**13. Tax Assets**

This is in respect of tax paid in advance to Inland Revenue Board.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**14. Short Term Deposits with a Licensed Bank**

The short term deposits of the Group and of the Company earn interest at rates ranging from 1.70% to 2.05% (31.12.2011: 2.00% and 1.1.2011: Nil) per annum.

**15. Share Capital**

	Group/Company		Group/Company	
	2012	2011	2012	2011
	Number of shares	Number of shares	RM	RM
Ordinary shares of RM0.25 each:				
<b>Authorised</b>				
At 1 January	400,000,000	400,000,000	100,000,000	100,000,000
Created during the year	400,000,000	-	100,000,000	-
At 31 December	<u>800,000,000</u>	<u>400,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid</b>				
At 1 January	181,317,473	171,922,373	45,329,368	42,980,593
Issuance of shares pursuant to ESOS	1,056,000	9,395,100	264,000	2,348,775
Issuance of shares pursuant to private placement	16,700,000	-	4,175,000	-
At 31 December	<u>199,073,473</u>	<u>181,317,473</u>	<u>49,768,368</u>	<u>45,329,368</u>

During the financial year, the Company increased its:

- (a) authorised share capital by the creation of 400,000,000 (31.12.2011: Nil) ordinary shares from 400,000,000 ordinary shares of RM0.25 each to 800,000,000 (31.12.2011: 400,000,000) ordinary shares of RM0.25 each;
- (b) issued and paid-up share capital by the issuance of 1,056,000 (31.12.2011: 9,395,100) new ordinary shares of RM0.25 each amounting to RM264,000 (31.12.2011: RM2,348,775) pursuant to the exercise of options granted under the Company's Employee Share Option Scheme ("ESOS") at the exercise price of RM0.25 each; and
- (c) issued and paid-up share capital by the issuance of 16,700,000 (31.12.2011: Nil) new ordinary shares of RM0.25 each amounting to RM4,175,000 (31.12.2011: Nil) through private placement at issue price of RM0.403 each.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**15. Share Capital (Cont'd)**

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Free Detachable Warrants

The main features of the warrants were as follows:

- a. Each Warrant carries the entitlement to subscribe for one (1) Company's share at the Exercise Price at any time during the Exercise Period, subject to adjustments in accordance with the provisions of the Deed Poll.
- b. Subject to the adjustments in accordance with the Deed Poll, the exercise price of the Warrants has been fixed at RM0.25 each, being the par value of the Company's shares price.
- c. The warrants can be exercised at any time during the period commencing from and including the date of issue of the Warrants and up to and including the Expiry Date.
- d. The Warrants shall expire at 5.00 p.m. on 19.11.2019. Any Warrants which have not been exercised will lapse and cease thereafter to be valid for any purpose.

During the financial year, no warrants were exercised. The outstanding number of warrants as at 31 December 2012 was 70,760,472 (31.12.2011: 70,760,472).

**16. Share Premium**

	Group/Company	
	2012	2011
	RM	RM
At 1 January	-	-
Issuance of shares pursuant to private placement	2,555,100	-
At 31 December	<u>2,555,100</u>	<u>-</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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17. **ESOS Reserve**

	Group/Company	
	2012 RM	2011 RM
At 1 January	8,550	-
Share option granted under ESOS	-	67,000
Transfer to accumulated losses for ESOS exercised	(8,500)	(58,450)
At 31 December	<u>50</u>	<u>8,550</u>

The ESOS reserve represents the estimated cumulative value of services received from employees which arose from the equity-settled share option granted to the employees. The reserve is reduced by the transfer to accumulated losses upon exercise or expiry of the share options.

18. **Hire Purchase Payables**

	31.12.2012	Group 31.12.2011	1.1.2011
	RM	RM	RM
(a) Minimum hire purchase payments			
Within one year	20,977	22,884	20,538
Within two to five years	66,752	89,609	21,018
	<u>87,729</u>	<u>112,493</u>	<u>41,556</u>
Less: Future finance charges	(8,876)	(13,928)	(5,712)
Present value of hire purchase liabilities	<u>78,853</u>	<u>98,565</u>	<u>35,844</u>
(b) Present value of hire purchase liabilities			
Within one year	17,058	17,832	17,786
Within two to five years	61,795	80,733	18,058
	<u>78,853</u>	<u>98,565</u>	<u>35,844</u>
Analysed as:			
Repayable within twelve months	17,058	17,832	17,786
Repayable after twelve months	61,795	80,733	18,058
	<u>78,853</u>	<u>98,565</u>	<u>35,844</u>

The hire purchase liabilities interest is charged at rates ranging from 2.88% (31.12.2011: 2.88% and 1.1.2011: 3.30% to 3.90%) per annum.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**19. Deferred Tax Liabilities**

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	2,254,400	2,335,455	1,174,761	1,234,129
Recognised in statements of comprehensive income (Note 28)	(81,055)	(81,055)	(59,368)	(59,368)
At 31 December	<u>2,173,345</u>	<u>2,254,400</u>	<u>1,115,393</u>	<u>1,174,761</u>

The estimated deferred tax liabilities were recognised as a result of the differences between the carrying amounts of property, plant and equipment and their tax bases.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**19. Deferred Tax Liabilities (Cont'd)**

The estimated timing differences of which no deferred tax assets have been recognised in the financial statements are as follows:

	Group		Company	
	31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM
Unutilised capital allowances	3,931,000	3,715,800	67,300	67,300
Unutilised tax losses	19,904,400	23,151,400	670,000	439,800
Unutilised reinvestment allowance	1,444,700	1,445,200	234,700	234,700
	<u>25,280,100</u>	<u>28,312,400</u>	<u>972,000</u>	<u>741,800</u>

**20. Trade Payables**

The Group's normal trade credit terms range from 30 to 120 days (31.12.2011 and 1.1.2011: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**21. Other Payables**

	Group		Company	
	31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM
Other payables	685,321	5,529,696	196,354	4,865,415
Accruals	915,815	1,206,298	487,912	496,578
	<u>1,601,136</u>	<u>6,735,994</u>	<u>684,266</u>	<u>5,361,993</u>
				<u>5,872,344</u>

Included in other payables of the Group and of the Company are amounts of RM16,433 and RM16,443 (31.12.2011 and 1.1.2011: Nil) respectively, owing to companies where a director of the Company has substantial financial interest.

Included in accruals of the Group is an amount of RM54,261 (31.12.2011 and 1.1.2011: RM54,261) being interest accrued on the outstanding term loan as disclosed in Note 23.

**22. Amounts Owing to Directors**

This represents unsecured, interest free advances and repayable on demand.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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23. **Bank Borrowing**

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011
<b>Unsecured</b>			
Term loan	<u>95,993</u>	<u>205,493</u>	<u>255,493</u>
<b>Analysed as:</b>			
<b>Repayable within twelve months</b>			
Term loan	<u>95,993</u>	<u>205,493</u>	<u>255,493</u>

The term loan of the Group was obtained from a licensed bank and is supported by corporate guarantee by the Company.

The term loan bears a fixed interest rate at 8.00% (31.12.2011 and 1.1.2011: 8.00%) per annum.

A subsidiary company had defaulted on the repayment of the term loan which was due for payment. To date the lender bank has not taken any action against the subsidiary company as a result of the default and agreed to grant the subsidiary company with twenty four (24) monthly instalments payment of RM10,500 per instalment in order for the subsidiary company to fully settle the loan.

24. **Revenue**

	2012 RM	Group 2011 RM
Construction revenue	9,381,890	-
Interior design fit up works	3,300,000	-
Sales of timber products	<u>11,659,117</u>	<u>11,614,251</u>
	<u>24,341,007</u>	<u>11,614,251</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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25. **Cost of Sales**

	Group	
	2012	2011
	RM	RM
Construction costs	8,332,486	-
Interior design fit up works	1,450,000	-
Cost of sales on timber products	10,447,728	9,828,877
	<u>20,230,214</u>	<u>9,828,877</u>

26. **Finance Costs**

	Group	
	2012	2011
	RM	RM
Interest expenses on:		
Hire purchase payables	<u>5,052</u>	<u>5,389</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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27. **Profit/(Loss) Before Taxation**

Profit/(Loss) before taxation is derived after charging/(crediting):

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Auditors' remuneration				
- Statutory	45,775	40,000	16,000	16,000
- Non statutory	89,752	12,000	85,976	12,000
Bad debts written off	-	185,957	-	-
Directors' remuneration				
- Salaries and other emoluments	173,550	220,700	17,550	11,700
- Share option granted under ESOS	-	16,800	-	8,300
Depreciation of property, plant and equipment	1,416,721	1,412,843	493,828	493,828
Deposits written off	-	365,000	-	-
Expenses on corporate exercise	819,333	5,469	819,333	5,469
Gain on disposal of property, plant and equipment	(140,857)	(118,123)	-	-
Gain on foreign exchange				
- realised	(49,255)	(32,202)	-	-
- unrealised	(3,916)	(19,945)	-	-
Impairment on amounts owing by subsidiary companies	-	-	1,123,513	-
Interest income	(14,138)	(3,321)	(14,138)	(1,180)
Loss on disposal of investment in a subsidiary company	-	-	-	553,722
Loss on remeasurement of investment in associated company	-	-	86,929	-
Reversal of impairment loss on investment in a subsidiary company	-	-	-	(1,287,201)
Reversal of impairment on trade and other receivables	-	(117,228)	-	-
Share option granted under ESOS	-	67,000	-	8,300
Waiver of debts on payables	-	(70,561)	-	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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28. **Taxation**

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Current income tax:				
Under provision in prior year	-	17,332	-	-
Deferred tax (Note 19):				
Relating to origination and reversal of temporary differences	(81,055)	(81,055)	(59,368)	(59,368)
	<u>(81,055)</u>	<u>(81,055)</u>	<u>(59,368)</u>	<u>(59,368)</u>
Tax income for the financial year	<u>(81,055)</u>	<u>(63,723)</u>	<u>(59,368)</u>	<u>(59,368)</u>

Income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated taxable profit for the financial year.

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company has tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income account to pay franked dividend of approximately RM4,175,500 (2011: RM4,175,500) out of its retained earnings without incurring additional tax liability as no election has been made to disregard the Section 108 as at to date by the Company.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**28. Taxation (Cont'd)**

A reconciliation of tax income applicable to profit/(loss) before taxation at the statutory income tax rate to tax income at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(Loss) before taxation	<u>59,350</u>	<u>(1,752,982)</u>	<u>(2,911,799)</u>	<u>(123,274)</u>
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	14,838	(438,245)	(727,950)	(30,818)
Expenses not deductible for tax purposes	387,682	67,000	645,082	154,820
Income not subject to tax	-	(13,037)	-	(183,370)
Deferred tax assets not recognised	170,425	415,550	23,500	-
Under provision of taxation in prior year	-	17,332	-	-
Utilisation of deferred tax assets not recognised in prior year	<u>(654,000)</u>	<u>(112,323)</u>	<u>-</u>	<u>-</u>
Tax income for the financial year	<u>(81,055)</u>	<u>(63,723)</u>	<u>(59,368)</u>	<u>(59,368)</u>

As disclosed in Note 19, the Group and the Company have unutilised tax credits carry forward, available to set-off against future taxable profits.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**29. Earnings/(Loss) Per Share**
**(a) Basic earnings/(loss) per share**

The earnings/(loss) per share has been calculated based on the consolidated profit/(loss) after taxation for the financial year attributable to owners of the parent for the Group and the adjusted weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2012	2011
Net profit/(loss) for the financial year attributable to the owners of the parent (RM)	<u>166,902</u>	<u>(1,684,169)</u>
Weighted number of ordinary shares in issue	<u>181,135,966</u>	<u>172,877,878</u>
Basic earnings/(loss) per share (sen)	<u>0.09</u>	<u>(0.97)</u>

**(b) Fully diluted earnings/(loss) per share**

The fully diluted earnings/(loss) per share has been calculated based on the consolidated profit/(loss) after taxation for the financial year attributable to owners of the parent for the Group and the adjusted weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2012	2011
Net profit/(loss) for the financial year attributable to the owners of the parent (RM)	<u>166,902</u>	<u>(1,684,169)</u>
Weighted number of ordinary shares in issue	181,135,966	172,877,878
Adjusted for:		
Assumed exercise of ESOS and Warrant	<u>38,288,027</u>	<u>148,242</u>
	<u>219,423,993</u>	<u>173,026,120</u>
Fully diluted earnings/(loss) per share (sen)	<u>0.08</u>	<u>(0.97)</u>

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**30. ESOS**

The Company's ESOS was approved by shareholders at the EGM on 3 March 2010 and became effective on 23 March 2010 for a period of 5 years which will lapse on 22 March 2015.

The salient features of the ESOS are as follows:

- (a) the ESOS Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM0.25 each in the Company;
- (b) the eligibility of a Director or employee of the Group to participate in the ESOS shall be at the discretion of the ESOS Committee, who shall take into consideration factors such as year of service and performance track record;
- (c) the total number of shares to be issued under ESOS shall not exceed in aggregate 15% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company;
- (d) the option price for each share shall be weighted average of the market price as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date on which the option is granted less, if the ESOS Committee shall so determine at their discretion from time to time, a discount of not more than 10% or the par value of the shares of the Company of RM0.25;
- (e) the number of outstanding options to subscribe for shares or the option price or both may be adjusted following any issue of additional shares by way of right issues, bonus issues or other capitalisation issue carried out by the Company while an option remain unexercised; and
- (f) the new shares allotted upon any exercise of the option shall rank pari passu in all respects with the existing ordinary shares of the Company except that the new shares so issued will not rank for any rights, dividends, allotments and or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares.

Details of share options outstanding at end of the financial year are as follows:

<b>Share Options</b>	<b>Exercise prices RM</b>	<b>Exercise Period</b>
2010 Grant	0.25	23.03.2010 - 22.03.2015
2011 Grant	0.25	05.07.2011 - 22.03.2015



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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30. **ESOS (Cont'd)**

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

	<b>No. of option over ordinary shares of RM0.25 each</b>				
	<b>Outstanding at 1 January</b>	<b>Movement during the financial year</b>		<b>Outstanding at 31 December</b>	<b>Exercisable at 31 December</b>
		<b>Granted</b>	<b>Exercised</b>		
<b>2012</b>					
2010 Grant	640,900	-	206,000	434,900	434,900
2011 Grant	855,000	-	850,000	5,000	5,000
	<u>1,495,900</u>	<u>-</u>	<u>1,056,000</u>	<u>439,900</u>	<u>439,900</u>
WAEP	0.25	0.25	0.25	0.25	0.25
<b>2011</b>					
2010 Grant	4,191,000	-	3,550,100	640,900	640,900
2011 Grant	-	6,700,000	5,845,000	855,000	855,000
	<u>4,191,000</u>	<u>6,700,000</u>	<u>9,395,100</u>	<u>1,495,900</u>	<u>1,495,900</u>
WAEP	0.25	0.25	0.25	0.25	0.25

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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30. **ESOS (Cont'd)**

Directors of the Group and of the Company have been granted the following number of options under the ESOS:

	No. of option over ordinary shares of RM0.25 each				
	Outstanding at 1 January	Movement during the financial year		Outstanding at 31 December	Exercisable at 31 December
		Granted	Exercised		
<b>2012</b>					
2010 Grant	900	-	-	900	900
2011 Grant	830,000	-	830,000	-	-
	830,900	-	830,000	900	900
WAEP	0.25	0.25	0.25	0.25	0.25
<b>2011</b>					
2010 Grant	1,591,400	-	1,590,500	900	900
2011 Grant	-	1,680,000	850,000	830,000	830,000
	1,591,400	1,680,000	2,440,500	830,900	830,900
WAEP	0.25	0.25	0.25	0.25	0.25

The fair value of the share options granted in the previous financial year was estimated by the management using Black-Scholes-Merton model, taking into account the terms and conditions upon which options were granted. The fair value of share options were measured at Grant Date and the assumptions are as follows:

Grant dates	05.07.2011	23.03.2010
Fair value of share options (RM)	0.01	0.00
Weighted average share price (RM)	0.0057	0.0034
Weighted average exercise price (RM)	0.25	0.25
Expected volatility	20	20
Expected option life (years)	4	5
Risk free interest rate, p.a.	3.910	2.946
Expected dividend yield (%)	0	0

\* No share option was granted under ESOS in 2012.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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30. **ESOS (Cont'd)**

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility is based on the historical volatility, adjusted for unusual or extraordinary volatility arising from certain economic or business occurrences which is not reflective of its long term average level. While the expected volatility is assumed to be indicative of future trends, it may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of the fair value.

31. **Employee Benefits Expenses**

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Salaries, wages and others	3,220,457	2,838,947	452,344	158,818
Contribution to defined contribution plan	154,318	82,513	56,323	-
Share option granted under ESOS	-	50,200	-	-
<b>Employee benefits expenses (excluding Directors)</b>	<b>3,374,775</b>	<b>2,971,660</b>	<b>508,667</b>	<b>158,818</b>

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**32. Segmental Reporting**

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business unit, the Group's Chief Executive Officer reviews internal management reports on at least a quarterly basis.

The following summary describes the main business segments and respective business activity of each segment of the Group's reportable segments:

<b>Business segment</b>	<b>Business activities</b>
Timber product manufacturing	Kiln drying, sawmilling, manufacturing of timber doors and related products
Construction and property development	Contractors in construction and interior design fit up works and related maintenance services, development of residential and commercial properties
Investment holding and others	Investment in shares and securities and the provision of marketing and management service

Performance is measured based on segment profit before tax, interest and depreciation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**Segment assets**

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

Segment total asset is used to measure the return of assets of each segment.

**Segment liabilities**

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer. Hence no disclosure is made on segment liability.

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**32. Segmental Reporting (Cont'd)**

2012	Timber product manufacturing RM	Construction and property development RM	Investment holding and others RM	Elimination RM	Consolidated RM
<b>Revenue</b>					
External sales	11,659,116	12,681,891	-	-	24,341,007
Inter-segment sales	192,676	-	-	(192,676)	-
Total revenue	11,851,792	12,681,891	-	(192,676)	24,341,007
<b>Results</b>					
Segment results	(799,940)	2,581,440	(2,936,974)	1,205,738	50,264
Interest income	-	-	14,138	-	14,138
Interest expenses	(5,052)	-	-	-	(5,052)
(Loss)/Profit before taxation	(804,992)	2,581,440	(2,922,836)	1,205,738	59,350
Taxation	21,687	-	59,368	-	81,055
Net (loss)/profit for the financial year	(783,305)	2,581,440	(2,863,468)	1,205,738	140,405
Additions to non-current assets	311,138	1,948	-	-	313,086
Segment assets	38,448,905	10,655,981	38,625,285	(35,384,003)	52,346,168
<b>Non-Cash Expenses/(Income)</b>					
Depreciation of property, plant and equipment	922,382	511	493,828	-	1,416,721
Gain on disposal of property, plant and equipment	(140,857)	-	-	-	(140,857)
Unrealised gain on foreign exchange	(3,916)	-	-	-	(3,916)

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32. **Segmental Reporting (Cont'd)**

2011	Timber product manufacturing RM	Construction and property development RM	Investment holding and others RM	Elimination RM	Consolidated RM
<b>Revenue</b>					
External sales	11,614,251	-	-	-	11,614,251
Inter-segment sales	371,200	-	-	(371,200)	-
Total revenue	11,985,451	-	-	(371,200)	11,614,251
<b>Results</b>					
Segment results	(229,326)	(289,130)	(498,979)	(733,479)	(1,750,914)
Interest income	2,141	-	1,180	-	3,321
Interest expense	(539)	(4,850)	-	-	(5,389)
Loss before taxation	(227,724)	(293,980)	(497,799)	(733,479)	(1,752,982)
Taxation	(7,296)	11,651	59,368	-	63,723
Net loss for the financial year	(235,020)	(282,329)	(438,431)	(733,479)	(1,689,259)
Additions to non-current assets	6,721,928	-	-	(1,745,190)	4,976,738
Segment assets	32,601,081	165,284	11,000,383	(1,800)	43,764,948
<b>Non-Cash Expenses/(Income)</b>					
Bad debts written off	114,448	71,509	-	-	185,957
Depreciation of property, plant and equipment	918,320	695	493,828	-	1,412,843
Gain on disposal of property, plant and equipment	(118,122)	(1)	-	-	(118,123)
Waiver of debts on payables	(43,215)	(27,346)	-	-	(70,561)
Prepayments written off	-	-	365,000	-	365,000
Unrealised gain on foreign exchange	(19,945)	-	-	-	(19,945)
Reversal of impairment loss on trade and other receivables	(45,719)	(71,509)	-	-	(117,228)
Share options granted under ESOS	58,500	200	-	-	58,700

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**32. Segmental Reporting (Cont'd)**Geographical Segment

The construction and property development segments are managed on worldwide basis but the operational office is in Malaysia.

In presenting information on geographical segments, segment revenue is based on geographical segment of the customers. No segment assets are to be presented as all the segment asset is located in Malaysia.

	Group Revenue	
	2012 RM	2011 RM
Malaysia	21,041,007	11,614,251
Hong Kong	3,300,000	-
	<u>24,341,007</u>	<u>11,614,251</u>

**33. Significant Events**

During the financial year, the following significant events took place for the Company and its subsidiary companies:

## (a) Harvest Court Industries Berhad ("the Company")

The Company proposes the Right Issue with Warrants. However, todate, the due diligence exercise in relation to the relevant applications is still on-going.

## (b) Harvest Court Properties Sdn. Bhd. ("HCP")

HCP had on 19 July 2011 entered into a Joint Venture Agreement with a landowner for the purpose of developing a parcel of freehold agriculture land into a housing estate or such other development as may be approved by the relevant authorities.

Todate, HCP is still in the progress of obtaining the approval from the relevant authorities.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**34. Contingent Liabilities****(a) Guarantees**

	Company	
	2012	2011
	RM	RM
Unsecured corporate guarantees given to licensed bank for banking facility granted to a subsidiary company	95,993	205,493

**(b) Material Litigation**

On 10 February 2001, a legal suit was filed by Kilang Papan Galas Setia (Kelantan) Sdn Bhd against the Company for alleged sum of RM428,827 in respect of the disputed raw material sold and delivered to the Company.

On 8 July 2011, the Company announced that the Shah Alam High Court had entered Judgment against the Company in favour of Kilang Papan Galas Setia (Kelantan) Sdn Bhd for the sum of RM428,827 together with interest thereon at the rate of 8% per annum from 22 November 2000 to 8 July 2011 and at 4% per annum thereafter to the date of payment.

The Company had lodged an appeal against the above judgement to the Court of Appeal and have further obtained a conditional stay of execution of the judgement. In the opinion of the Directors, the Company has a good prospect of succeeding the appeal.



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**35. Related Party Disclosures****(a) Identifying related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and of the Company.

The Group has related party relationships with companies where a director of the Company has substantial financial interest, subsidiary companies, associated company and key management personnel.

**(b) Related party transactions**

Related party transactions have been entered into in the normal course of business under normal trade terms. The related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Transactions with subsidiary companies				
Manpower support charges	-	-	350,147	-
Transactions with companies where a director of the Company has substantial financial interest				
Construction progress billings	8,903,564	-	-	-
Admin charges on construction project	231,522	-	231,522	-
Sales of doors	26,546	-	-	-
Advertisement, design and printing expenses	<u>106,746</u>	-	<u>106,746</u>	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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35. **Related Party Disclosures (Cont'd)**

- (c) The remuneration of key management personnel is same with the Directors' remuneration as disclosed in Note 28. The Group and the Company have no other members of key management personnel apart from the Board of Directors.

36. **Financial Instruments**

- (a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 4 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<b>Group</b>			
<b>31.12.2012</b>			
<b>Financial Assets</b>			
Trade and other receivables	11,380,204	-	11,380,204
Amount owing by contract customer	478,326	-	478,326
Short term deposits with a licensed bank	499,192	-	499,192
Cash and bank balances	91,980	-	91,980
Total financial assets	<u>12,449,702</u>	-	<u>12,449,702</u>
<b>Financial Liabilities</b>			
Trade and other payables	-	5,284,257	5,284,257
Amount owing to associated company	-	870,353	870,353
Amounts owing to Directors	-	4,845,029	4,845,029
Hire purchase payables	-	78,853	78,853
Bank borrowing	-	95,993	95,993
Total financial liabilities	-	<u>11,174,485</u>	<u>11,174,485</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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36. **Financial Instruments (Cont'd)**

## (a) Classification of financial instruments (Cont'd)

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<b>Group</b>			
<b>31.12.2011</b>			
<b>Financial Assets</b>			
Trade and other receivables	1,688,404	-	1,688,404
Short term deposits with a licensed bank	267,777	-	267,777
Cash and bank balances	185,372	-	185,372
Total financial assets	<u>2,141,553</u>	-	<u>2,141,553</u>
<b>Financial Liabilities</b>			
Trade and other payables	-	8,519,177	8,519,177
Amount owing to a Director	-	35,057	35,057
Hire purchase payables	-	98,565	98,565
Bank borrowing	-	205,493	205,493
Total financial liabilities	-	<u>8,858,292</u>	<u>8,858,292</u>
<b>1.1.2011</b>			
<b>Financial Assets</b>			
Trade and other receivables	2,881,475	-	2,881,475
Cash and bank balances	1,549,169	-	1,549,169
Total financial assets	<u>4,430,644</u>	-	<u>4,430,644</u>
<b>Financial Liabilities</b>			
Trade and other payables	-	7,649,962	7,649,962
Amount owing to a Director	-	14,913	14,913
Hire purchase payables	-	35,844	35,844
Bank borrowing	-	255,493	255,493
Total financial liabilities	-	<u>7,956,212</u>	<u>7,956,212</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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36. **Financial Instruments (Cont'd)**

## (a) Classification of financial instruments (Cont'd)

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<b>Company</b>			
<b>31.12.2012</b>			
<b>Financial Assets</b>			
Other receivables	1,365,249	-	1,365,249
Amounts owing by subsidiary companies	21,868,648	-	21,868,648
Fixed deposits with a licensed bank	499,192	-	499,192
Cash and bank balances	2,193	-	2,193
Total financial assets	<u>23,735,282</u>	-	<u>23,735,282</u>
<b>Financial Liabilities</b>			
Other payables	-	684,266	684,266
Amounts owing to subsidiary companies	-	8,174,699	8,174,699
Amount owing to associated company	-	877,344	877,344
Amounts owing to Directors	-	4,845,029	4,845,029
Total financial liabilities	-	<u>14,581,338</u>	<u>14,581,338</u>
<b>31.12.2011</b>			
<b>Financial Assets</b>			
Other receivables	962,398	-	962,398
Amounts owing by subsidiary companies	17,924,207	-	17,924,207
Short term deposits with a licensed bank	267,777	-	267,777
Cash and bank balances	3,209	-	3,209
Total financial assets	<u>19,157,591</u>	-	<u>19,157,591</u>
<b>Financial Liabilities</b>			
Other payables	-	5,361,993	5,361,993
Amounts owing to subsidiary companies	-	9,328,355	9,328,355
Amount owing to a Director	-	35,057	35,057
Total financial liabilities	-	<u>14,725,405</u>	<u>14,725,405</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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36. **Financial Instruments (Cont'd)**

## (a) Classification of financial instruments (Cont'd)

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<b>Company</b>			
<b>1.1.2011</b>			
<b>Financial Assets</b>			
Other receivables	217,342	-	217,342
Amounts owing by subsidiary companies	17,618,750	-	17,618,750
Cash and bank balances	8,402	-	8,402
Total financial assets	<u>17,844,494</u>	-	<u>17,844,494</u>
<b>Financial Liabilities</b>			
Other payables	-	5,872,344	5,872,344
Amounts owing to subsidiary companies	-	10,084,333	10,084,333
Amount owing to a Director	-	14,913	14,913
Total financial liabilities	-	<u>15,971,590</u>	<u>15,971,590</u>

## (b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and market risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

## (c) Credit risk

Short term deposits with licensed banks, cash and bank balances are placed with a credit worthy financial institution.

Credit risk arises mainly from the inability of its customers to make payments when due. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via the Group's and the Company's management reporting procedures and action will be taken for long outstanding debts. The Company only provided loans and advances to subsidiary companies and the results of the subsidiary companies are monitored regularly.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**36. Financial Instruments (Cont'd)****(c) Credit risk (Cont'd)**

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represent the Group's and the Company's maximum exposure to credit risk in relation to financial assets. The Group has significant concentration of credit risk with its exposure to two customers representing 91% (2011: Nil) of total trade receivables.

**(d) Liquidity risk**

The Group's and the Company's funding requirements and liquidity risks are managed with the objective of meeting business obligations on a timely basis. The Group and the Company monitor their cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

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36. **Financial Instruments (Cont'd)**

(d) Liquidity risk (Cont'd)

Group	On demand or within 1 year RM	Within 1 to 2 years RM	Within 2 to 5 years RM	Total RM	Carrying amount RM
<b>31.12.2012</b>					
Trade and other payables	5,284,257	-	-	5,284,257	5,284,257
Amount owing to associated company	870,353	-	-	870,353	870,353
Amounts owing to Directors	4,845,029	-	-	4,845,029	4,845,029
Hire purchase payables	22,884	22,884	41,961	87,729	78,853
Bank borrowing	157,500	-	-	157,500	95,993
	11,180,023	22,884	41,961	11,244,868	11,174,485
<b>31.12.2011</b>					
Trade and other payables	8,519,177	-	-	8,519,177	8,519,177
Amount owing to a Director	35,057	-	-	35,057	35,057
Hire purchase payables	22,884	22,884	66,725	112,493	98,565
Bank borrowing	267,000	-	-	267,000	205,493
	8,844,118	22,884	66,725	8,933,727	8,858,292

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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36. **Financial Instruments (Cont'd)**

(d) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Within 1 to 2 years RM	Total RM	Carrying amount RM
<b>Group</b>				
<b>1.1.2011</b>				
Trade and other payables	7,649,962	-	7,649,962	7,649,962
Amount owing to a Director	14,913	-	14,913	14,913
Hire purchase payables	20,538	21,018	41,556	35,844
Bank borrowing	317,000	-	317,000	255,493
	8,002,413	21,018	8,023,431	7,956,212



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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36. **Financial Instruments (Cont'd)**

## (d) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Carrying amount RM
<b>Company</b>		
<b>31.12.2012</b>		
Other payables	684,266	684,266
Amounts owing to subsidiary companies	8,174,699	8,174,699
Amount owing to associated company	877,344	877,344
Amount owing to Directors	4,845,029	4,845,029
	<u>14,581,338</u>	<u>14,581,338</u>
<b>31.12.2011</b>		
Other payables	5,361,993	5,361,993
Amounts owing to subsidiary companies	9,328,355	9,328,355
Amount owing to a Director	35,057	35,057
	<u>14,725,405</u>	<u>14,725,405</u>
<b>1.1.2011</b>		
Other payables	5,872,344	5,872,344
Amounts owing to subsidiary companies	10,084,333	10,084,333
Amount owing to a Director	14,913	14,913
	<u>15,971,590</u>	<u>15,971,590</u>

## (e) Market risks

## (i) Foreign currency exchange risk

The Group incurs foreign currency risk on transactions that are denominated in foreign currencies. The currencies giving rise to this risk is primarily the USD. The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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36. **Financial Instruments (Cont'd)**

(e) Market risks (Cont'd)

(i) Foreign currency exchange risk

The carrying amounts of the Group's foreign currency denominated financial assets at the end of the reporting period are as follows:

	Trade receivables RM	Cash and bank balances RM	Total RM
<b>Group</b>			
31.12.2012			
USD	159,467	67,434	226,901
31.12.2011			
USD	384,859	1,163	386,022
1.1.2011			
USD	403,657	712,307	1,115,964

(ii) Foreign currency risk sensitivity

A 10% strengthening of Ringgit Malaysia against the following foreign currencies at the end of the reporting period would increase/(decrease) the profit before tax by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	Group	
	2012 RM	2011 RM
<b>USD</b>		
Profit before taxation	(22,690)	(38,602)

A 10% weakening of Ringgit Malaysia against the above foreign currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

(iii) Interest rate risk

The Group and the Company obtain financing through other financial liabilities. The Group's and the Company's policy are to obtain the financing with the most favourable interest rates in the market.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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36. **Financial Instruments (Cont'd)**

(e) Market risks (Cont'd)

(iii) Interest rate risk (Cont'd)

The Group and the Company constantly monitor its interest rate risk and do not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	31.12.2012	Group/Company 31.12.2011	1.1.2011
	RM	RM	RM
<b>Financial Asset</b>			
Short term deposits with a licensed bank	<u>499,192</u>	<u>267,777</u>	<u>-</u>

The Group and the Company are exposed to interest rate risk arising from the short term deposits. However, the short term deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of the Group and of the Company.

(f) Fair values of financial assets and financial liabilities

- (i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period and insignificant discounting impact.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**36. Financial Instruments (Cont'd)**

(f) Fair values of financial assets and financial liabilities (Cont'd)

(ii) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	31.12.2012		31.12.2011		1.1.2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial liabilities</b>						
<b>Group</b>						
Hire purchase payables (non-current)	61,795	63,927	80,733	73,610	18,058	17,403
<b>Company</b>						
Contingent liabilities	95,993	@	205,493	@	255,493	@

@ It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, cost and eventual outcome.

**37. Capital risk management objectives and policies**

The Group and the Company's management manage its capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group and the Company may issue new shares or sell assets to reduce debt.

The capital of the Group and the Company consists of issued capital, cash and cash equivalents, bank borrowing and hire purchase financing.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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37. **Capital risk management objectives and policies (Cont'd)**

The gearing ratios are as follows:

	Group		Company	
	31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM
Total borrowings	174,846	304,058	-	-
Less: Cash and cash equivalents	(591,172)	(453,149)	(501,385)	(8,402)
Net debts	(416,326)	(149,091)	(501,385)	(8,402)
Total equity	38,814,062	32,294,248	31,055,718	26,914,049
Gearing ratio	#	#	*	*

# The Group has no gearing as the Group's cash and cash equivalents are sufficient to repay the entire borrowing obligation at any point in time.  
\* The Company has no gearing as the Company does not raise any borrowing as at the financial year end.

There were no changes in the Group's and the Company's approaches to capital management during the financial year.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**38. Explanation of transition to MFRSs**

In preparing the opening consolidated statement of financial position at 1 January 2012, the Group and the Company have adjusted the amounts reported previously in the financial statements prepared in accordance with previous FRSSs. An explanation of how the previous FRSSs transition to MFRSs have affected the Group's and the Company's financial position, financial performance and cash flows is set out as follows:

Reconciliation of Financial Position

	Group		Group	
	FRSSs	Effect of transition to MFRSs 31.12.2011 RM	FRSSs	Effect of transition to MFRSs 1.1.2011 RM
<b>Non-Current Asset</b>				
Property, plant and equipment	33,181,770	(311,429)	20,177,365	9,273,823
				29,451,188
<b>Current Assets</b>				
Inventories	8,752,722	-	7,859,034	-
Trade receivables	505,200	-	2,181,615	-
Other receivables	1,183,204	-	699,890	-
Tax assets	332	-	332	-
Short term deposits with a licensed bank	267,777	-	-	-
Cash and bank balances	185,372	-	1,549,169	-
	10,894,607	-	12,290,010	-
<b>Total assets</b>	44,076,377	(311,429)	32,467,375	9,273,823
				41,741,198

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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38. **Explanation of transition to MFRSs (Cont'd)**

Reconciliation of Financial Position (Cont'd)

	Group		Effect of transition to MFRSs		Group	
	FRSs	Effect of transition to MFRSs 31.12.2011	MFRSs	FRSs	Effect of transition to MFRSs 1.1.2011	MFRSs
	RM	RM	RM	RM	RM	RM
<b>Equity</b>						
Share capital	45,329,368	-	45,329,368	42,980,593	-	42,980,593
Revaluation reserve	6,959,652	(6,959,652)	-	-	-	-
ESOS reserve	8,550	-	8,550	-	-	-
Accumulated losses	(20,415,566)	6,730,708	(13,684,858)	(19,014,507)	6,955,368	(12,059,139)
<b>Equity attributable to owners of the parent</b>	31,882,004	(228,944)	31,653,060	23,966,086	6,955,368	30,921,454
Non-controlling interests	641,188	-	641,188	-	-	-
<b>Total Equity</b>	32,523,192	(228,944)	32,249,248	23,966,086	6,955,368	30,921,454
<b>Non-Current Liabilities</b>						
Hire purchase payables	80,733	-	80,733	18,058	-	18,058
Deferred tax liabilities	2,336,885	(82,485)	2,254,400	17,000	2,318,455	2,335,455
	2,417,618	(82,485)	2,335,133	35,058	2,318,455	2,353,513

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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38. **Explanation of transition to MFRSs (Cont'd)**

Reconciliation of Financial Position (Cont'd)

	FRSS		Group Effect of transition to MFRS 31.12.2011		MFRSs		FRSS		Group Effect of transition to MFRS 1.1.2011		MFRSs	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Financial Liabilities</b>												
Trade payables	1,783,183	-	-	1,783,183	659,628	-	-	659,628	-	-	659,628	-
Other payables	6,735,994	-	-	6,735,994	6,990,334	-	-	6,990,334	-	-	6,990,334	-
Amount owing to a Director	35,057	-	-	35,057	14,913	-	-	14,913	-	-	14,913	-
Hire purchase payables	17,832	-	-	17,832	17,786	-	-	17,786	-	-	17,786	-
Bank borrowing	205,493	-	-	205,493	255,493	-	-	255,493	-	-	255,493	-
Tax payable	358,008	-	-	358,008	528,077	-	-	528,077	-	-	528,077	-
	9,135,567	-	-	9,135,567	8,466,231	-	-	8,466,231	-	-	8,466,231	-
<b>Total Liabilities</b>	11,553,185	(82,485)	(82,485)	11,470,700	8,501,289	2,318,455	2,318,455	10,819,744			10,819,744	
<b>Total Equity and Liabilities</b>	44,076,377	(311,429)	(311,429)	43,764,948	32,467,375	9,273,823	9,273,823	41,741,198			41,741,198	



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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38. **Explanation of transition to MFRSs (Cont'd)**

Reconciliation of Financial Position (Cont'd)

	Company		Company		Company	
	FRSs	Effect of transition to MFRS 31.12.2011	FRSs	Effect of transition to MFRS 1.1.2011	FRSs	Effect of transition to MFRS 1.1.2011
	RM	RM	RM	RM	RM	RM
<b>Non-Current Assets</b>						
Property, plant and equipment	9,961,362	(195,637)	9,765,725	5,323,036	4,936,517	10,259,553
Investments in subsidiary companies	13,890,899	-	13,890,899	13,744,998	-	13,744,998
	23,852,261	(195,637)	23,656,624	19,068,034	4,936,517	24,004,551
<b>Current Assets</b>						
Other receivables	962,398	-	962,398	217,342	-	217,342
Amounts owing by subsidiary companies	17,924,207	-	17,924,207	17,618,750	-	17,618,750
Short term deposits with a licensed bank	267,777	-	267,777	-	-	-
Cash and bank balances	3,209	-	3,209	8,402	-	8,402
	19,157,591	-	19,157,591	17,844,494	-	17,844,494
<b>Total assets</b>	43,009,852	(195,637)	42,814,215	36,912,528	4,936,517	41,849,045

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**38. Explanation of transition to MFRSs (Cont'd)**

Reconciliation of Financial Position (Cont'd)

	FRSs		Company Effect of transition to MFRS 31.12.2011		FRSs		Company Effect of transition to MFRS 1.1.2011	
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Equity</b>								
Share capital	45,329,368	-	45,329,368	-	42,980,593	-	42,980,593	
Revaluation reserve	3,671,011	(3,671,011)	-	-	-	-	-	
ESOS reserve	8,550	-	8,550	-	-	-	-	
Accumulated losses	(21,948,153)	3,524,284	(18,423,869)		(22,120,801)	3,702,388	(18,418,413)	
<b>Total Equity</b>	<b>27,060,776</b>	<b>(146,727)</b>	<b>26,914,049</b>		<b>20,859,792</b>	<b>3,702,388</b>	<b>24,562,180</b>	
<b>Non-Current Liability</b>								
Deferred tax liabilities	1,223,671	(48,910)	1,174,761		-	1,234,129	1,234,129	
<b>Current Liabilities</b>								
Other payables	5,361,993	-	5,361,993		5,872,344	-	5,872,344	
Amounts owing to subsidiary companies	9,328,255	-	9,328,255		10,084,333	-	10,084,333	
Amount owing to a Director	35,057	-	35,057		14,913	-	14,913	
Tax payable	-	-	-		81,146	-	81,146	
<b>Total Liabilities</b>	<b>14,725,405</b>	<b>-</b>	<b>14,725,405</b>		<b>16,052,736</b>	<b>-</b>	<b>16,052,736</b>	
<b>Total Liabilities</b>	<b>15,949,076</b>	<b>(48,910)</b>	<b>15,900,166</b>		<b>16,052,736</b>	<b>1,234,129</b>	<b>17,286,865</b>	
<b>Total Equity and Liabilities</b>	<b>43,009,852</b>	<b>(195,637)</b>	<b>42,814,215</b>		<b>36,912,528</b>	<b>4,936,517</b>	<b>41,849,045</b>	

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

38. **Explanation of transition to MFRSs (Cont'd)**

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Reconciliation of Comprehensive Income and Other Comprehensive Income for the year ended 31 December 2011

	Group		Company	
	FRSs RM	Effect of transition to MFRS RM	FRSs RM	Effect of transition to MFRS RM
Revenue	11,614,251	-	-	-
Cost of sales	(9,812,396)	16,481	-	-
Gross profit	1,801,855	16,481	-	-
Other income	377,809	-	729,190	729,190
Administration expenses	(3,344,305)	(92,922)	(759,542)	(852,464)
Distribution costs	(473,549)	-	-	-
Finance costs	(5,389)	-	-	-
Loss before taxation	(1,643,579)	(76,441)	(30,352)	(123,274)
Taxation	31,746	31,977	36,137	59,368
Net loss for the financial year	(1,611,833)	(44,464)	5,785	(63,906)
Other comprehensive income				
Revaluation surplus on leasehold land and leasehold buildings	7,106,866	(7,106,866)	3,779,424	(3,779,424)
Total comprehensive income for the year	5,495,053	(7,151,330)	3,785,209	(63,906)

Material Adjustments to the Statements of Cash Flow for the year ended 31 December 2011

There are no material differences between the statement of cash flows of the Group and of the Company presented under MFRSs and the statement of cash flows presented under FRSS.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**39. Date of Authorisation for Issue**

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 25 April 2013.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HCIB FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

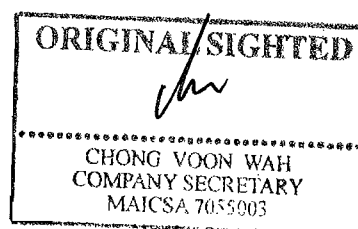
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**Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses**

	Group		Company	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM	RM	RM	RM
Accumulated losses				
- Realised	(45,436,334)	(45,529,710)	(21,267,800)	(18,423,869)
- Unrealised	(2,169,429)	(2,251,455)	-	-
	<u>(47,605,763)</u>	<u>(47,781,165)</u>	<u>(21,267,800)</u>	<u>(18,423,869)</u>
Less: Consolidation adjustments	34,096,307	34,096,307	-	-
	<u>(13,509,456)</u>	<u>(13,684,858)</u>	<u>(21,267,800)</u>	<u>(18,423,869)</u>

The disclosure of realised and unrealised profits or losses is solely compiled in accordance on the Malaysian Institute of Accountants Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements issued on 20 December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013**


3 JUL 2013

**Harvest Court Industries Berhad (36998-T)**  
**Condensed Consolidated Statement of Comprehensive Income**  
**For the year ended 31 March 2013**

Note	2013 Current Qtr ended 31 Mar (RM)	2012 Comparative Qtr ended 31 Mar (RM)	2013 3 months cumulative to date (RM)	2012 Comparative 3 months cumulative to date (RM)
Revenue	3,981,661	3,991,948	3,981,661	3,991,948
Cost of sales	(3,673,870)	(3,314,288)	(3,673,870)	(3,314,288)
<b>Gross profit /(loss)</b>	<b>307,791</b>	<b>677,660</b>	<b>307,791</b>	<b>677,660</b>
Other income	24,501	8,908	24,501	8,908
Administrative expenses	(1,094,613)	(677,243)	(1,094,613)	(677,243)
Selling and distribution expenses	(52,644)	(80,366)	(52,644)	(80,366)
Other expenses	(4,367)	(2,974)	(4,367)	(2,974)
Finance Cost	(1,086)	(1,369)	(1,086)	(1,369)
Share of profit/(loss) from associate	(15,657)	-	(15,657)	-
<b>Profit /(Loss) before taxation</b>	<b>(836,075)</b>	<b>(75,384)</b>	<b>(836,075)</b>	<b>(75,384)</b>
Taxation	20,264	184,667	20,264	184,667
<b>Profit /(Loss) for the period, representing representing total comprehensive income for the period</b>	<b>(815,811)</b>	<b>109,283</b>	<b>(815,811)</b>	<b>109,283</b>
<b>Net profit/(loss) and total comprehensive income for the financial period</b>				
Attributable to:				
Equity holders of the parent	(815,811)	111,400	(815,811)	111,400
Non-Controlling Interest	-	(2,117)	-	(2,117)
	<b>(815,811)</b>	<b>109,283</b>	<b>(815,811)</b>	<b>109,283</b>
<b>Profit/(Loss) per share attributable to equity holders of the parent:</b>				
Basic (Sen)	(0.41)	0.06	(0.41)	0.06
Dilluted (sen)	(0.41)	0.04	(0.41)	0.04

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

## UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)

Harvest Court Industries Berhad (36998-T)  
Condensed Consolidated Statement of Changes in Equity  
For the financial period ended 31 March 2013

	Attributable to Equity Holders of the Parent				Total (RM)	Non- controlling interest (RM)	Total Equity (RM)
	Non-Distributable						
	Share Capital (RM)	Share Premium	ESOS reserve (RM)	Accumulated Losses (RM)			
<b>3 months ended 31 Mar 2013</b>							
Balance at beginning of period	49,768,368	2,555,100	50	(13,509,456)	38,814,062	-	38,814,062
Net loss for the financial period, representing total comprehensive income for the financial period	-	-	-	(815,811)	(815,811)	-	(815,811)
<b>Balance at end of period</b>	<b>49,768,368</b>	<b>2,555,100</b>	<b>50</b>	<b>(14,325,267)</b>	<b>37,998,251</b>	<b>-</b>	<b>37,998,251</b>
<b>3 months ended 31 Mar 2012</b>							
Balance at beginning of period	45,329,368	-	8,550	(13,684,858)	31,653,060	641,188	32,294,248
Net loss for the financial period, representing total comprehensive income for the financial period	-	-	-	111,400	111,400	(2,117)	109,283
Issuance of shares pursuant to ESOS	56,500	-	-	-	56,500	-	56,500
Share Option exercised	-	-	(200)	200	-	-	-
<b>Balance at end of period</b>	<b>45,385,868</b>	<b>-</b>	<b>8,350</b>	<b>(13,573,258)</b>	<b>31,820,960</b>	<b>639,071</b>	<b>32,460,031</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)**
**Harvest Court Industries Berhad (36998-T)**
**Condensed Consolidated Statement of Financial Position**
**As at 31 March 2013**

	As at 31 Mar 2013 (RM)	As at 31 Dec 2012 (RM)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	31,036,260	31,214,916
Investment in Associate	802,804	818,461
	<b>31,839,064</b>	<b>32,033,377</b>
<b>CURRENT ASSETS</b>		
Inventories	7,616,073	7,862,757
Trade receivables	7,378,182	9,757,187
Other receivables, deposits & prepayments	1,134,399	1,623,017
Tax recoverable	332	332
Deposits with licensed bank		499,192
Cash and bank balances	544,942	91,980
	<b>16,673,928</b>	<b>19,834,465</b>
<b>TOTAL ASSETS</b>	<b>48,512,992</b>	<b>51,867,842</b>
<b>FINANCED BY:</b>		
Share Capital	49,768,368	49,768,368
Share Premium	2,555,100	2,555,100
ESOS Reserve	50	50
Accumulated losses	(14,325,267)	(13,509,456)
<b>Equity attributable to equity holders of the parent</b>	<b>37,998,251</b>	<b>38,814,062</b>
<b>Non-Controlling Interest</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>37,998,251</b>	<b>38,814,062</b>
<b>Non-Current Liabilities</b>		
Finance payables	61,795	61,795
Deferred tax liabilities	2,153,083	2,173,345
	<b>2,214,878</b>	<b>2,235,140</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	4,778,149	3,683,121
Other payables	2,389,144	1,122,810
Amount owing to associate	848,566	870,353
Amount owing to Directors	79,032	4,845,029
Finance payables	12,423	17,058
Short term borrowings	64,493	95,993
Tax payables	128,056	184,276
<b>Total current liabilities</b>	<b>8,299,863</b>	<b>10,818,640</b>
<b>TOTAL LIABILITIES</b>	<b>10,514,741</b>	<b>13,053,780</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48,512,992</b>	<b>51,867,842</b>
<b>NET ASSETS PER SHARE</b>		
ATTRIBUTABLE TO ORDINARY EQUITY		
HOLDERS OF THE PARENT (Sen)	<b>19.09</b>	<b>19.50</b>

The condensed consolidated statement of financial position should be read in conjunction with the financial statements for the year ended 31 December 2012 and the accompanying explanatory notes the interim financial statements.



**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)**
**Harvest Court Industries Berhad**
**Condensed Consolidated Statement of Cash Flows**
**For the financial year ended 31 March 2013**

	2013 3 months ended 31 Mar (RM'000)	2012 3 months ended 31 Mar (RM'000)
Net profit /(loss) before tax	(836)	(75)
Adjustments for non-cash flow:-		
Non-cash items	349	354
Non-operating items (which are investing/financing)	(1)	(4)
Operating profit/(loss) before changes in working capital	<u>(488)</u>	<u>275</u>
Changes in working capital :-		
Net change in current assets	3,111	(594)
Net change in current liabilities	<u>(2,426)</u>	<u>54</u>
Cash generated from/(used in) operations	197	(265)
Interest received	2	6
Interest paid	(1)	(1)
Tax paid	<u>(56)</u>	<u>-</u>
Net cash from/(used in) operating activities	<u>142</u>	<u>(260)</u>
Investing Activities		
Proceeds from disposal of PPE	-	-
Purchase of PPE	<u>(157)</u>	<u>(88)</u>
Net cash used in investing activities	<u>(157)</u>	<u>(88)</u>
Financing Activities		
- Proceeds from ESOS	-	57
- Bank borrowing	<u>(32)</u>	<u>(15)</u>
- Finance Lease/ HP	<u>(5)</u>	<u>(5)</u>
Net cash used in financing activities	<u>(37)</u>	<u>37</u>
Net changes in Cash & Cash equivalents	(52)	(311)
Cash & Cash Equivalents at beginning of period	591	453
Foreign Currency differences	6	-
Cash & Cash Equivalents at end of period	<u>545</u>	<u>142</u>
Cash & Cash Equivalents comprise the following :-		
Cash and bank balances	545	142
Deposits with licensed banks	-	-
Bank overdrafts	<u>-</u>	<u>-</u>
	<u>545</u>	<u>142</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)**
**HARVEST COURT INDUSTRIES BERHAD  
Company No. 36998-T  
(Incorporated in Malaysia)**
**UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**
**EXPLANATORY NOTES PURSUANT TO FRS 134**
**A1 Basis of Preparation and Significant Accounting Policies**

The condensed interim financial statements for the period ended 31 March 2013 are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

For the year up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS") and Malaysian Financial Reporting Standards "MFRS").

The accounting policies applied by the Group in this condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2012.

**A2 Audit Qualifications**

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

**A3 Seasonal or Cyclical Factors**

The operations of the Group were not significantly affected by seasonal and cyclical factors.

**A4 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows because of their nature, size or incidence for the financial year under review.

**A5 Material Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter results.

**A6 Debt and Equity Securities**

Save as below, there were no cancellations, repurchases, resale and repayment of debt or equity securities for the period ended 31 March 2013:

- (a) The paid-up share capital of the Company as at 31 March 2013 was 199,073,473 ordinary shares of RM0.25 each or RM49,768,368.
- (b) The number of ESOS outstanding as at 31 March 2013 was 439,900.

**A7 Dividend Paid**

There were no dividends paid for the current quarter.

**A8 Segment Revenue and Results**

The segmental analysis for the Group for the financial period ended 31 March 2013 is as follows:-

	Timber product manufacturing RM'000	Property development & construction RM'000	Investment holding and others RM'000	Adjustment and Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>					
External sales	2,122	1,860	-	-	3,982
Inter-segment sales	59	-	-	(59)	-
Total revenue	<u>2,181</u>	<u>1,860</u>	<u>-</u>	<u>(59)</u>	<u>3,982</u>

**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)**
**HARVEST COURT INDUSTRIES BERHAD  
Company No. 36998-T  
(Incorporated in Malaysia)**
**UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**
**RESULTS**

Segment results	(246)	184	(759)	-	(821)
Interest income	-	-	2	-	2
Interest expense	(1)	-	-	-	(1)
Share of profit/(loss) from associate	(16)	-	-	-	(16)
Profit/(loss) before Taxation	(263)	184	(757)	-	(836)
Taxation	5	-	15	-	20
Net profit/(loss) for the financial year	(258)	184	(742)	-	(816)
Additions to non-current assets	157	-	-	-	157
Segment assets	38,384	9,590	33,120	(32,581)	48,513

**NON-CASH EXPENSES/ (INCOME)**

Depreciation of property, plant and equipment	212	1	123	-	336
Gain on disposal of property, plant and equipment	-	-	-	-	-
Impairment on other receivables	-	-	-	-	-
Unrealised gain on foreign exchange	(3)	-	-	-	(3)

**A9 Material Events Subsequent to the End of the Period**

There were no material events subsequent to the end of the current quarter, save and except for those mentioned in Note B8.

**A10 Changes in Composition of the Group**

There have been no changes in the composition of the Group for the financial period ended 31 March 2013.

**A11 Changes in Contingent liabilities/Contingent assets**

Save as B11, there were no material changes in contingent liabilities or assets since the last annual balance sheet date.

**A12 Capital commitment**

There were no capital commitments incurred by the Group to any parties as at 31 March 2013.

**A13 Significant Related Party Transactions**

The significant related party transactions during current quarter and financial period were as follows:-

	Current Quarter 31 Mar 2013	Comparative Quarter 31 Mar 2012	Financial Period ended 31 Mar 2013	Comparative Financial Period ended 31 Mar 2012
	RM	RM	RM	RM
<b>A related company in which a Director and major shareholder has interest</b>				
Sales of Door Leaves	-	13,273	-	13,273

**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)****HARVEST COURT INDUSTRIES BERHAD  
Company No. 36998-T  
(Incorporated in Malaysia)****UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

Advertisement, Design and Printing expenses	4,506	-	4,506	-
Construction progress billings	3,111,640	-	3,111,640	-
Reimbursement for Project administration charges	465	-	465	-

**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)**
**HARVEST COURT INDUSTRIES BERHAD  
Company No. 36998-T  
(Incorporated in Malaysia)**
**UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

ADDITIONAL INFORMATION REQUIRED BY APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

**B1 Review of performance**

The Group's revenue for the current quarterly financial period ended 31 March 2013 decreased to RM3,981,661 as compared with RM3,991,948 in the similar quarter of the previous financial period ended 31 Mar 2012. The decrease in revenue was mainly due to decrease in sales from the timber division.

**B2 Comparison with immediate preceding quarter**

The Group incurred a loss before tax of RM836,075 as compared to a profit before tax of RM2,044,761 for the immediate preceding quarter ended 31 December 2012. The loss before tax in the current quarter under review was mainly due to lower sales in both timber and construction divisions.

**B3 Prospects**

Given the stronger trade data recently and optimism on global economic recovery, Malaysia is widely expected to grow at more than 5% GDP in 2013. The Group is committed to improve the level of performance by undertaking various initiatives that will accomplish our business objectives and strategies.

At the same time, the Group will continue to build the competitiveness of our timber products and construction business while remaining focused on operational efficiency and productivity so that satisfactory results will be achieved in this year.

**B4 Variance of Actual Profit from Forecast Profit**

This note is not applicable.

**B5 Taxation**

	Current Quarter 31 Mar 2013	Comparative Quarter 31 Mar 2012	Financial Period ended 31 Mar 2013	Comparative Financial Period ended 31 Mar 2012
	RM	RM	RM	RM
Current income tax	-	-	-	-
Deferred Tax	20,264	184,667	20,264	184,667
	<b>20,264</b>	<b>184,667</b>	<b>20,264</b>	<b>184,667</b>

**B6 Profit/(Loss) on Sale of Unquoted Investments or Properties**

There were no disposal of unquoted investments or properties for the current quarter and financial period to date.

**B7 Purchase or Disposal of Quoted Securities**

(a) There was no purchase or disposal of quoted securities for the current quarter and financial period to date.

(b) There was no investment in quoted securities as at the end of the financial period.

**B8 Status of Corporate Proposals**

Save as below, there were no corporate proposals that have been announced but not yet completed during the period under review.

**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)**
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On 13 July 2011, the Company proposed to undertake a proposed renounceable rights issue of up to 82,291,281 new ordinary shares of RM0.25 per share together with up to 41,145,641 free detachable warrants on the basis of two Rights Share and one Rights Warrants for every six existing Harvest Court Industries Berhad ("HCIB") Share held as at an entitlement date to be determined later.

On 12 July 2012, HCIB has proposed the following variations in relation to the Proposed Rights Issue with Warrants. As a result of the exercise of the ESOS and the additional new shares issued by HCIB pursuant to its private placement exercise, the total issued and paid-up share capital of HCIB has increased to approximately 198,282,000 HCIB Shares. In this regard, the maximum number of Rights Shares and Rights Warrants to be issued under the Proposed Rights Issue with Warrants has increased to 92,462,779 and 46,231,390 respectively.

As a consequence to the afore-mentioned increase in the number of securities to be issued, the Company has also proposed to carry out the following:-

- a. increase in the authorised share capital of HCIB from RM100,000,000 comprising 400,000,000 Ordinary Shares to RM200,000,000 comprising 800,000,000 Ordinary Shares ("Proposed IASC"); and
- b. amendment to the Memorandum of Association of HCIB pursuant to the Proposed IASC ("Proposed Amendment")

HCIB has obtained

- 1) Bank Negara Malaysia's approvals on 23 August 2012 for issuance of the above right warrants under the above proposed right issues exercise to non-resident.
- 2) Bursa Malaysia's approval on 5 September 2012 for listing and quotation of the above new ordinary shares and warrants to be issued pursuant to the above Proposed Right Issue

The Proposed Renounceable Rights Issue and Proposed IASC above have been approved by shareholders via Extraordinary General Meeting (EGM) held on 26 November 2012.

**Utilisation of Proceeds From Private Placement**

The Private Placement approved by Bursa Malaysia Securities Berhad on the 2 July 2012 was completed on 19 July 2012. The proceeds raised from the Private Placement were utilized as follows as at 31 March 2013.

Purpose	Expected time frame for utilisation of proceeds from the date of listing of the Placement Shares	Proposed utilisation RM	Actual utilisation RM	Deviation RM
Construction	1 year	3,165,807	3,165,807	-
Timber	1 year	3,165,807	3,165,807	-
Estimated expenses for the Private Placement	Within 3 months	400,000	400,000	-
<b>Total</b>		<b>6,731,614</b>	<b>6,731,614</b>	<b>-</b>

**B9 Group Borrowings and Debts Securities**

Group's borrowings as at 31 Mar 2013 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
(a) Secured Borrowings			
Bank borrowings	64	-	64
Hire purchase payables	12	62	74
	<u>76</u>	<u>62</u>	<u>138</u>

The Group borrowings are all denominated in Ringgit Malaysia

**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)**
**HARVEST COURT INDUSTRIES BERHAD  
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**UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**
**B10 Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk at the date of this report.

**B11 Changes in Material Litigation**

There were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 31 December 2012, except as disclosed below:

A suit was filed by Kilang Papan Galas Setia (Kelantan) Sdn Bhd against the Company for the alleged sum of RM428,827 in respect of the disputed raw material sold and delivered to the Company. The Company had resisted the claim on the grounds, inter alia that the timber supplied by Kilang Papan Galas Setia (Kelantan) Sdn Bhd which was not in accordance with the quality or the size ordered was rejected by the Company for which Debit Notes were issued to Kilang Papan Galas Setia (Kelantan) Sdn Bhd.

The Shah Alam High Court on 8 July 2011 entered judgement against the Company in the sum of RM428,827 together with interest thereon at the rate of 8% per annum from 22 November 2000 to 8 July 2011 and at 4% per annum thereafter to the date of payment. The Learned Judge further ordered costs to be taxed.

The Company has been advised to lodge an appeal against the said decision which was done on 27 July 2011, and the date for hearing has been fixed on 11 July 2013. The Company has been advised that there are merits in the appeal.

**B12 Dividends - Proposed, Recommended or Declared**

There were no dividends proposed, recommended or declared for the period ended 31 March 2013.

**B13 Profit/(Loss) Per Share**
**(a) Basic**

Basic profit/(loss) per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	Current Quarter	Current Year to date
Profit/ (Loss) attributable to ordinary equity holders of the parent (RM)	(815,811)	(815,811)
Weighted average number of shares	199,073,473	199,073,473
Basic profit/(loss) per share (sen)	(0.41)	(0.41)

**(b) Diluted**

Diluted profit/(loss) per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue and issuable during the period.

	Current Quarter	Current Year to date
Profit/ (Loss) attributable to ordinary equity holders of the parent (RM)	(815,811)	(815,811)
Weighted average number of shares	199,073,473	199,073,473
Adjustment for Assumed exercise of ESOS and warrant	1,849,360	1,849,360
Adjusted weighted average number	200,922,833	200,922,833

**UNAUDITED CONSOLIDATED RESULTS OF HCIB FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)**
**HARVEST COURT INDUSTRIES BERHAD**  
**Company No. 36998-T**  
**(Incorporated in Malaysia)**
**UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

of ordinary shares in issue and  
issuable

Diluted profit/(loss) per share (sen) (0.41) (0.41)

**B14 Disclosure of realised and unrealised profits/losses**

	As at 31 Mar 2013	As at 31 Dec 2012
	RM'000	RM'000
Total accumulated losses of the group		
- Realised	(45,941)	(45,436)
- Unrealised	(2,150)	(2,169)
	<u>(48,091)</u>	<u>(47,605)</u>
Less : Consolidation Adjustments	33,766	34,096
	<u>(14,325)</u>	<u>(13,509)</u>

**B15 Profit for the Financial Year**

	Current Quarter ended		Financial Period ended	
	31 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
	RM	RM	RM	RM
<b>Profit for the period is arrived at after crediting / (charging):</b>				
Interest Income	1,693	5,687	1,693	5,687
Other Income	2,719	3,221	2,719	3,221
Foreign Exchange Gain / (Loss)	20,089	(2,974)	20,089	(2,974)
Gain on disposal of PPE	-	-	-	-
Interest Expense	(1,086)	(1,369)	(1,086)	(1,369)
Depreciation	(336,044)	(364,272)	(336,044)	(364,272)



**DIRECTORS' REPORT***(prepared for inclusion in this Abridged Prospectus)***HARVEST COURT INDUSTRIES BERHAD** (36998-T)

Lot 450, Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan, Malaysia.  
Tel : (603) 3165 2218 Fax : (603) 3168 1336  
Web Site : www.harvestcourt.com E-mail : hvest99@gmail.com

Date: 30 July 2013  
Registered Office:-

Suite 10.03, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra 59200  
Kuala Lumpur

The Shareholders of **HARVEST COURT INDUSTRIES BERHAD** ("HCIB")

Dear Sir/Madam,

On behalf of the Board of Directors of HCIB ("**Board**"), I wish to report after making due enquiries and to the best knowledge of the Board, that between the period from 31 December 2012 (being the date to which the last audited financial statements of HCIB and its subsidiaries ("**HCIB Group**") have been made up) to the date hereof, being a date not earlier than 14 days before the issuance of this Abridged Prospectus, that:-

- (a) in the opinion of Board, the business of the HCIB Group has been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the HCIB Group which have adversely affected the trading or the value of the assets of the HCIB Group;
- (c) the current assets of the HCIB Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantee or indemnity given by HCIB Group;
- (e) since the last audited financial statements of the HCIB Group, the Board is not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings by HCIB Group; and
- (f) save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the HCIB Group since the last audited financial statements of the HCIB Group.

Yours faithfully  
For and on behalf of the Board of  
**HARVEST COURT INDUSTRIES BERHAD**

**DATUK RAYMOND CHAN BOON SIEW**  
Managing Director and Chief Executive Officer

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**ADDITIONAL INFORMATION**


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**1. SHARE CAPITAL**

- (a) Save for the Rights Shares, no securities will be allotted or issued on the basis of this AP later than twelve (12) months after the date of issue of this AP.
- (b) There is only one class of shares in our Company, namely ordinary shares of RM0.25 each, all of which rank *pari passu* with one another which includes the new HCIB Shares to be issued upon the exercise of Warrant 2009/2019.
- (c) Save for the Rights Shares, and the changes in issued and paid-up share capital as disclosed in Appendix II (Section 2) of this AP, no securities of our Company have been issued, or proposed/agreed to be issued, as fully or partly paid-up in cash or otherwise than in cash within the two (2) years immediately preceding the date of this AP.
- (d) Save for the Rights Warrants, no person has been or is entitled to be granted an option to subscribe for any securities of our Company.
- (e) As at the LPD, save for the provisional allotment of Rights Issue with Warrants and as disclosed below, no person has been or is entitled to be granted, an option to subscribe for any securities, shares, or debentures in our Company or any of our subsidiaries:-

**Warrants 2009/2019**

The Warrants 2009/2019 was issued in conjunction with HCIB's previous rights issue exercise which was complement on 1 December 2009 and expiring on 19 November 2019. Each Warrants 2009/2019 entitles its warrant holders to subscribe for one (1) new HCIB Share at an exercise price of RM0.25 per Share subject to any adjustment(s) in accordance with the conditions as stipulated in the deed poll dated 23 October 2009 constituting such warrants. As at the LPD, there are 70,760,472 outstanding Warrants 2009/19.

**ESOS options**

Pursuant to the ESOS, eligible Directors and employees can be granted options to subscribe for HCIB Shares over a period of five (5) years from 23 March 2010 to 22 March 2015. The maximum number of HCIB Shares to be issued under the ESOS pursuant to the exercise of ESOS options during the tenure of the ESOS and in accordance with the ESOS by-laws shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at the time of the offer. As at the LPD, there are 439,900 outstanding ESOS options that have been granted and not exercised, which may be exercised into 439,900 Shares at an exercise price of RM0.25 per Share.

As consideration for the grant of an option, the selected director/employee shall, upon acceptance of the offer, pay to the Company, a nominal non-refundable sum of RM1.00 or such other amount as may be determined at the discretion of the ESOS option committee. The exercise price of options granted under the ESOS shall be based of the five (5)-day VWAMP prior to the date on which the option is offered provided that:-

- (i) a discount, if any, of not more than 10% from the five (5)-day VWAMP immediately preceding the date of offer is allowed or such other basis as permitted by the authorities; and
- (ii) the price so determined shall not be less than the par value of the Shares.

The number of ESOS and the exercise price of ESOS may be subject to any adjustments in accordance to the ESOS by-laws.

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**ADDITIONAL INFORMATION (CONT'D)**

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**2. DIRECTORS' REMUNERATION**

The extract of the provisions in our Company's Articles of Association in relation to the remuneration of the Directors are as follows (capitalised terms mentioned are as defined in our Company's Articles of Association):-

**Article 82**

The Directors shall be paid by way of remuneration for their services such fixed sum (not being a commission on or percentage of profits or of turnover) as shall from time to time be determined by the Company in general meeting, and such remuneration shall be divided among the Directors in such proportion and manner as the Directors may determine. In addition to such remuneration each Director shall be paid such reasonable traveling hotel and other expenses as he shall incur in attending meetings of the Directors or General Meetings or which he may otherwise incur on or about the business of the Company.

**Article 83**

The remuneration of the Directors shall not be increased except pursuant to a resolution passed at a General Meeting convened by a notice specifying the intention to propose such increase.

**Article 87**

The remuneration of a Managing Director or other executive director shall (subject to the provisions of any contract between him and the Company) from time to time be fixed by the Directors, and may be by way of fixed salary or a percentage of profits of the Company or of any other company in which the Company is interested or by participation in any such profits or by any, or all of these modes but shall not include a commission on or percentage of turnover.

**3. MATERIAL CONTRACTS**

Save as disclosed below, the Board is not aware of any material commitments, not being the ordinary course of business incurred or known to be incurred by the HCIB Group within two (2) years preceding the date of the AP:-

- (a) On 4 May 2012, Ching Ah Tee & Ng Chee Leong and Harvest Court Properties Sdn Bhd ("**HCPSB**") and Aras Suria Development Sdn Bhd ("**ASDSB**") had entered into a Deed of Novation cum Assignment. In consideration of the premises therein contained, HCPSB had agreed that all the benefits, rights, title, interest, obligations and liabilities of HCPSB in, to and under the joint venture agreement dated 19 July 2011 ("**the said JV Agreement**") shall be transferred and assigned absolutely to, vest in and assumed by ASDSB and ASDSB shall have all the benefits, rights, title, interest, obligations and liabilities of HCPSB in, to and under the said JV Agreement in every way as if the ASDSB was the party to the said JV Agreement in place of HCPSB.

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**ADDITIONAL INFORMATION (CONT'D)****4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, save as disclosed below, neither HCIB nor its subsidiaries were engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board does not have any knowledge of any proceeding, pending or threatened, against HCIB and/or any of its subsidiaries or of any facts likely to give rise to any proceeding which may materially affect the business/financial position or business of HCIB Group.

- (a) A suit was filed by Kilang Papan Galas Setia (Kelantan) Sdn Bhd against the Company for the alleged sum of RM428,827 in respect of the disputed raw material sold and delivered to the Company. The Company had resisted the claim on the grounds, *inter alia* that the timber supplied by Kilang Papan Galas Setia (Kelantan) Sdn Bhd which was not in accordance with the quality or the size ordered was rejected by the Company for which Debit Notes were issued to Kilang Papan Galas Setia (Kelantan) Sdn Bhd.

The Shah Alam High Court on 8 July 2011 entered judgement against the Company in the sum of RM428,827 together with interest thereon at the rate of 8% per annum from 22 November 2000 to 8 July 2011 and at 4% per annum thereafter to the date of payment. The Learned High Court Judge further ordered costs to be taxed.

The Company had on 27 July 2011 filed an appeal to Court of Appeal against the said High Court decision. The appeal was allowed by Court of Appeal on 11 July 2013 and Kilang Papan Galas Setia (Kelantan) Sdn Bhd was ordered to pay costs of RM50,000.00 to the Company.

**5. CONSENTS**

- (a) Our Principal Adviser, Underwriters, Company Secretaries, Share Registrar, Principal Bankers, and Solicitors for the Rights Issue with Warrants have given their written consents to the inclusion in this AP of their names and all references thereto in the form, manner and context in which they appear before the issuance of this AP and their consents have not subsequently been withdrawn; and
- (b) Our Auditors and Reporting Accountants have given its consent to the inclusion in this AP of its name, its proforma consolidated statements of financial position together with the reporting accountants' letter thereon as set out in Appendix III of this AP and the audited consolidated financial statements of HCIB for the FYE 31 December 2012 together with the auditors' report as set out in Appendix IV of this AP and all references thereto in the form, manner and context in which they appear before the issuance of this AP and their consent has not subsequently been withdrawn.

**6. SERVICE CONTRACT**

There are no service contracts or proposed service contracts between the Directors and the Group, excluding contracts expiring or determinable by the employing company without payments or compensation (other than statutory compensation) within one (1) year from the date of this AP.

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**ADDITIONAL INFORMATION (CONT'D)**

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**7. GENERAL**

- (a) The nature of our Company's business is disclosed in Section 1 of Appendix II of this AP. The details of our subsidiary and associated companies as at the LPD are disclosed in Section 5 of Appendix II of this AP.
- (b) The estimated expenses of the Rights Issue with Warrants will be borne by our Company as disclosed under Section 4 of this AP.
- (c) Save as disclosed in Section 5 of in this AP, our Board is not aware of any material information including specific trade factors or risks which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
- (d) Save as disclosed in the AP and to the best knowledge of our Board, the financial condition and operations of our Company and our subsidiaries are not likely to be affected by any of the following:
  - (i) known trends, demands, commitments, events or uncertainties that will result in or that is reasonably likely to result in our Company/Group's liquidity increasing or decreasing in any material way;
  - (ii) material commitments for capital expenditure;
  - (iii) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations of our Group; and
  - (iv) known trends or uncertainties that have had or that our Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income of our Group.

**8. RESPONSIBILITY STATEMENT**

The Documents have been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Principal Adviser for the Rights Issue with Warrants acknowledges that, based on the available information, and to the best of their knowledge and belief, this AP constitutes full and true disclosure of all material facts concerning the Rights Issue with Warrants.

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**ADDITIONAL INFORMATION (CONT'D)****9. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be made available for inspection at our Registered Office at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia during normal business hours on any weekday (except public holidays) for a period of not less than twelve (12) months from the date of this AP:

- (a) Memorandum and Articles of Association of HCIB;
- (b) the Deed Poll dated 18 July 2013 constituting the Warrants;
- (c) the certified true extract of the ordinary resolution passed at the EGM of our Company in relation to the Rights Issue with Warrants as set out in Appendix I of this AP;
- (d) the audited financial statements of our Group for the past three (3) FYE 31 December 2010, 31 December 2011 and 31 December 2012 and the latest unaudited financial statements of our Group for the 3-months financial period ended 31 March 2013;
- (e) the proforma consolidated balance sheets of HCIB as at 31 December 2012 together with the Reporting Accountants' letter thereon as set out in Appendix III of this AP;
- (f) material contracts as disclosed in Section 3 of Appendix VII of this AP;
- (g) the writ and relevant cause papers in respect of the material litigation referred to in Section 4 above;
- (h) the Directors' Report as set out in Appendix VI of this AP;
- (i) the letters of undertakings by substantial shareholders referred to in Section 9.1; and
- (j) letters of consent and non-conflict of interest referred to in Section 5 of Appendix VII of this AP.

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