

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

UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of Preparation and Significant Accounting Policies

The interim financial statements 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"). The interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

For the year up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

Except as disclosed below, 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 2011.

a) Property, Plant and Equipment

The Group has previously recorded its land and buildings at revalued amount, which is the fair value at the date of the revaluation less accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed at sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the reporting date.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the fair value amounts of land and buildings as at 1 January 2011 as deemed cost as these amounts were broadly comparable to fair value at that date.

The impact arising from the change is summarised as follows:

	As at 1.1.2011	As at 30.6.2011	As at 31.12.2011
	RM	RM	RM
Consolidated statement of financial position			
Property, plant & equipment	9,273,823	(327,321)	(311,428)
Deferred tax	(2,318,455)	84,023	82,484
Asset Revaluation reserve	-	(7,085,853)	(6,959,652)
Retained Earnings	6,955,368	6,842,555	6,730,708
Consolidated statement of comprehensive income			
Fair value as deemed cost	6,955,368	6,955,368	6,955,368
Asset revaluation	-	(7,106,886)	(7,106,886)
Changes in depreciation charge	-	(125,296)	(109,403)
Related tax effect	-	33,516	31,977

A2 Audit Qualifications

The auditors' report on the financial statements for the year ended 31 December 2011 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.

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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 30 June 2012:

- (a) The paid-up share capital of the Company as at 30 June 2012 was 181,543,472 ordinary shares of RM0.25 each or RM 45,385,868. Subsequent to the quarter ended 30 June 2012, an additional 600,000 no ESOS at RM0.25 each was exercised resulting in the paid-up capital of the Company to increase from 181,543,472 ordinary shares to 182,143,472 ordinary shares equivalent to RM45,535,868.
- (b) The number of ESOS outstanding as at 30 June 2012 was 1,269,900. Subsequent to the quarter ended 30 June 2012, the number of ESOS outstanding was 669,900. Each option entitles the holder the right to subscribe for a new ordinary share of RM0.25 each in the Company at an exercise price of RM0.25 per share. The ESOS will expire on 22 March 2015.

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 30 June 2012 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
REVENUE					
External sales	6,945	4,371	-	-	11,316
Inter-segment sales	109	-	-	(109)	-
Total revenue	<u>7,054</u>	<u>4,371</u>	<u>-</u>	<u>(109)</u>	<u>11,316</u>
RESULTS					
Segment results	(150)	(47)	(949)	-	(1,146)
Interest income	-	-	12	-	12
Interest expense	(3)	-	-	-	(3)
Loss before Taxation	(153)	(47)	(937)	-	(1,137)
Taxation	11	164	30	-	205
Net loss for the financial year	<u>(142)</u>	<u>117</u>	<u>(907)</u>	<u>-</u>	<u>(932)</u>
Additions to non-current assets	176	-	-	-	176
Segment assets	<u>41,700</u>	<u>5,973</u>	<u>33,760</u>	<u>(32,862)</u>	<u>48,571</u>
NON-CASH EXPENSES/ (INCOME)					
Depreciation of property, plant and equipment	482	-	247	-	729
Gain on disposal of property, plant and equipment	(52)	-	-	-	(52)
Impairment on other receivables	-	-	-	-	-

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Unrealised gain on foreign exchange	(20)	-	-	-	(20)
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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 30 June 2012.

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 30 June 2012.

A13 Significant Related Party Transactions

The significant related party transactions during current quarter and financial period were as follows:-

	Current Quarter 30 Jun 2012	Comparative Quarter 30 Jun 2011	Financial Period ended 30 Jun 2012	Comparative Financial Period ended 30 Jun 2011
	RM	RM	RM	RM
A related company in which a Director and major shareholder has interest				
Sales of Door Leaves	15,373	-	28,646	-
EGM Venue and related expenses and AGM Notice Advertisement expenses	39,086	-	39,086	-

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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 30 June 2012 increased to RM7,324,108 as compared with RM3,332,731 in the similar quarter of the previous financial period ended 30 June 2011. The increase in revenue was mainly due to sales from Construction segment.

B2 Comparison with immediate preceding quarter

The Group generated a loss before tax of RM1,061,674 as compared to a loss before tax of RM75,384 for the immediate preceding quarter ended 31 March 2012. The increase of loss before tax in the current quarter under review was mainly due to higher cost of sales in terms of lower volume in timber business segment.

B3 Prospects

The Group is expected to improve its profit through diversification into construction business. The timber door business will continually be part of the Group business segment due to steady demand from customers in Dubai, India and Iraq.

B4 Variance of Actual Profit from Forecast Profit

This note is not applicable.

B5 Taxation

	Current Quarter 30 Jun 2012	Comparative Quarter 30 Jun 2011	Financial Period ended 30 Jun 2012	Comparative Financial Period ended 30 Jun 2011
	RM	RM	RM	RM
Current income tax	-	(24,342)	-	(24,342)
Deferred Tax	20,263	20,264	204,930	40,527
	20,263	(4,078)	204,930	16,185

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.

On 13 July 2011, TA Securities Holdings Berhad announced that the Company proposes 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 in HCIB on the basis of two Rights Share and

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one Rights Warrants for every six existing HCIB Share held as at an entitlement date to be determined later.

On 12 July 2012, TA Securities Holdings Berhad announced that the Board of Directors of 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 to be issued by HCIB pursuant to its private placement exercise, the total issued and paid-up share capital of HCIB is expected to increase 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")

On behalf of HCIB, TA Securities Holdings Berhad wishes to announce that the Company had on 6 August 2012 submitted an application to Bank Negara Malaysia for its approval in relation to the issuance of the Rights Warrants to non-resident shareholders and issuance of further warrants in HCIB to non-residents of Malaysia pursuant to any adjustment to the number of the Rights Warrants in accordance with the terms of the deed poll constituting the Rights Warrants to be executed by the Company.

On 30 April 2012, TA Securities Holdings Berhad announced that the Company proposes to implement a private placement of such number of new ordinary shares of RM0.25 each in HCIB representing up to 10% of the Company's issued and paid-up share capital to investors to be identified. The Proposed Private Placement will entail the issuance of 16,738,447 HCIB Shares at an issue price to be determined and to placee(s) to be identified at a later stage. In the event that the Existing Warrants issued on 20 November 2009 and expiring on 19 November 2019 are fully exercised prior to the implementation of the Proposed Private Placement, the Proposed Private Placement will entail the issuance of up to 23,814,494 HCIB Shares.

On 9 May 2012, TA Securities Holdings Berhad announced that the listing application for the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad.

On 2 July 2012, Bursa Malaysia Securities Berhad has approved the listing and quotation of up to 23,814,494 new ordinary shares of RM0.25 each. The Private Placement was completed on 19 July 2012.

B9 Group Borrowings and Debts Securities

Group's borrowings as at 30 Jun 2012 were as follows:

	RM'000
(a) Secured Borrowings	190
	<u>190</u>
(b) Short Term Borrowings	190
	<u>190</u>
(c) All In Local Currencies (RM)	190

B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk at the date of this report.

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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 2011, 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 th 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. 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 30 June 2012.

B13 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)	(1,034,709)	(923,309)
Weighted average number of shares	181,543,473	181,527,330
Basic profit/(loss) per share (sen)	(0.57)	(0.51)

(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)	(1,034,709)	(923,309)
Weighted average number of shares	181,543,473	181,527,330
Effects of dilution		
- Employee Share Options	1,269,900	1,269,900
- Warrants	70,760,472	70,760,472
Adjusted weighted average number of ordinary shares in issue and issuable	253,573,845	253,557,702
Diluted profit/(loss) per share (sen)	(0.41)	(0.36)

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B14 Disclosure of realised and unrealised profits/losses

	As at 30 Jun 2012	As at 31 Dec 2011
	RM'000	RM'000
Total accumulated losses of the group		
- Realised	(46,674)	(45,547)
- Unrealised	(2,030)	(2,234)
	(48,704)	(47,781)
Less : Consolidation Adjustments	34,096	34,096
	(14,608)	(13,685)

B15 Profit for the Financial Year

	Current Quarter ended		Financial Period ended	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
	RM	RM	RM	RM
Profit for the period is arrived at after crediting / (charging):				
Interest Income	5,880	-	11,567	-
Other Income	1,518	12,473	4,740	12,473
Foreign Exchange Gain / (Loss)	45,800	(20,049)	42,826	(20,049)
Gain on disposal of PPE	52,000	11,000	52,000	11,000
Interest Expense	(1,299)	(528)	(2,668)	(528)
Depreciation	(364,247)	(313,474)	(728,519)	(694,575)
Bad debts written-off	-	-	-	-