

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

**UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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:

|   | <b>As at<br/>1.1.2011</b> | <b>As at<br/>30.9.2011</b> | <b>As at<br/>31.12.2011</b> |
|---|---------------------------|----------------------------|-----------------------------|
|   | RM                        | RM                         | RM                          |
| <b>Consolidated statement of financial position</b>   |                           |                            |                             |
| Property, plant & equipment                           | 9,273,823                 | (319,373)                  | (311,428)                   |
| Deferred tax  | (2,318,455)               | 83,255                     | 82,484                      |
| Asset Revaluation reserve                             | -                         | (7,022,754)                | (6,959,652)                 |
| Retained Earnings                                     | 6,955,368                 | 6,786,635                  | 6,730,708                   |
| <b>Consolidated statement of comprehensive income</b> |                           |                            |                             |
| 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                        | -                         | (117,348)                  | (109,403)                   |
| Related tax effect                                    | -                         | 32,748                     | 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 September 2012:

- (a) The paid-up share capital of the Company as at 30 September 2012 was 199,073,472 ordinary shares of RM0.25 each or RM49,768,368.
- (b) The number of ESOS outstanding as at 30 September 2012 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 30 September 2012 is as follows:-

|   | <b>Timber<br/>product<br/>manufacturing</b><br>RM'000 | <b>Property<br/>development &amp;<br/>construction</b><br>RM'000 | <b>Investment<br/>holding and<br/>others</b><br>RM'000 | <b>Adjustment<br/>and<br/>elimination</b><br>RM'000 | <b>Consolidated</b><br>RM'000 |
|---|---|--|--|---|-------------------------------|
| <b>REVENUE</b>                                    |   |  |  |   |                               |
| External sales                                    | 9,539   | 5,557  | -  | -   | 15,096                        |
| Inter-segment sales                               | 149   | -  | -  | (149)   | -                             |
| Total revenue                                     | <u>9,688</u>  | <u>5,557</u>   | <u>-</u>   | <u>(149)</u>  | <u>15,096</u>                 |
| <b>RESULTS</b>                                    |   |  |  |   |                               |
| Segment results                                   | (344)   | (33)   | (1,629)  | -   | (2,006)                       |
| Interest income                                   | -   | -  | 25   | -   | 25                            |
| Interest expense                                  | (4)   | -  | -  | -   | (4)                           |
| Loss before Taxation                              | (348)   | (33)   | (1,604)  | -   | (1,985)                       |
| Taxation  | 16  | 164  | 45   | -   | 225                           |
| Net loss for the financial year                   | <u>(332)</u>  | <u>131</u>   | <u>(1,559)</u>   | <u>-</u>  | <u>(1,760)</u>                |
| Additions to non-current assets                   | 253   | -  | -  | -   | 253                           |
| Segment assets                                    | <u>41,737</u>   | <u>3,846</u>   | <u>39,274</u>  | <u>(36,705)</u>                                     | <u>48,152</u>                 |
| <b>NON-CASH EXPENSES/ (INCOME)</b>                |   |  |  |   |                               |
| Depreciation of property, plant and equipment     | 723   | -  | 370  | -   | 1,093                         |
| Gain on disposal of property, plant and equipment | (52)  | -  | -  | -   | (52)                          |
| Impairment on other receivables                   | -   | -  | -  | -   | -                             |
| Unrealised gain on foreign exchange               | (12)  | -  | -  | -   | (12)                          |

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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 September 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 September 2012.

**A13 Significant Related Party Transactions**

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

|   | Current Quarter<br>30 Sep 2012 | Comparative Quarter<br>30 Sep 2011 | Financial Period<br>ended 30 Sep 2012 | Comparative<br>Financial Period<br>ended 30 Sep 2011 |
|---|--------------------------------|------------------------------------|---------------------------------------|--|
|   | RM                             | RM                                 | RM                                    | RM   |
| <b>A related company in which a Director and major shareholder has interest</b> |                                |                                    |                                       |  |
| Sales of Door Leaves  | -                              | -                                  | 26,546                                | -  |
| Advertisement, Design and Printing expenses                                     | 55,795                         | -                                  | 94,881                                | -  |

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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 September 2012 increased to RM3,779,212 as compared with RM2,639,871 in the similar quarter of the previous financial period ended 30 September 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 RM848,354 as compared to a loss before tax of RM1,061,674 for the immediate preceding quarter ended 30 June 2012. The decrease of loss before tax in the current quarter under review was mainly due to lower manufacturing cost.

**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<br>30 Sep 2012 | Comparative Quarter<br>30 Sep 2011 | Financial Period<br>ended 30 Sep 2012 | Comparative<br>Financial Period<br>ended 30 Sep 2011 |
|--------------------|--------------------------------|------------------------------------|---------------------------------------|--|
|                    | RM                             | RM                                 | RM                                    | RM   |
| Current income tax | -                              | -                                  | -                                     | (17,331)   |
| Deferred Tax       | 20,264                         | (769)                              | 225,194                               | 32,748   |
|                    | <b>20,264</b>                  | <b>(769)</b>                       | <b>225,194</b>                        | <b>15,417</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.

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. Bank Negara Malaysia has on 23 August 2012 via letter approved the said application.

Bursa Malaysia has via a letter dated 5 September 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 Proposed Rights Issue;
- (ii) Listing and quotation of up to 92,462,779 new ordinary shares of RM0.25 each to be issued pursuant to the Proposed Rights Issue;
- (iii) Listing and quotation of up to 46,231,390 new ordinary shares of RM0.25 each 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 Proposed Rights Issue; and
- (v) Listing and quotation of up to 14,437,984 new ordinary shares of RM0.25 each to be issued pursuant to the exercise of additional Warrants 2009/2019.

The Circular to Shareholders in relation to the Proposed Renounceable Rights Issue has been issued on the 24 October 2012. The Extraordinary General Meeting (EGM) to be held at Lot 450, Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan on Monday, 26 November 2012 at 2.30pm.

**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 30 September 2012.

| <b>Purpose</b>                               | <b>Expected time frame for utilisation of proceeds from the date of listing of the Placement Shares</b> | <b>Proposed utilisation RM</b> | <b>Actual utilisation RM</b> | <b>Deviation RM</b> |
|--|---|--------------------------------|------------------------------|---------------------|
| Construction                                 | 1 year  | 3,165,807                      | 3,035,737                    | 130,070             |
| Timber                                       | 1 year  | 3,165,807                      | 1,787,732                    | 1,378,075           |
| Estimated expenses for the Private Placement | Within 3 months   | 400,000                        | 358,391                      | 41,609              |
| <b>Total</b>                                 |   | <b>6,731,614</b>               | <b>5,181,860</b>             | <b>1,549,754</b>    |

**B9 Group Borrowings and Debts Securities**

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

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|                                    | <b>RM'000</b> |
|------------------------------------|---------------|
| ( a ) Secured Borrowings           | 127           |
|                                    | 127           |
| ( b ) Short Term Borrowings        | 127           |
|                                    | 127           |
| ( c ) All In Local Currencies (RM) | 127           |

**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 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 September 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.

|   | <b>Current<br/>Quarter</b> | <b>Current<br/>Year to date</b> |
|---|----------------------------|---------------------------------|
| Profit/ (Loss) attributable to ordinary equity holders of the parent (RM) | (810,412)                  | (1,733,721)                     |
| Weighted average number of shares   | 195,302,930                | 186,152,714                     |
| Basic profit/(loss) per share (sen)                                       | (0.41)                     | (0.93)                          |

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(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.

|   | <b>Current<br/>Quarter</b> | <b>Current<br/>Year to date</b> |
|---|----------------------------|---------------------------------|
| Profit/ (Loss) attributable to ordinary equity holders of the parent (RM) | (810,412)                  | (1,733,721)                     |
| Weighted average number of shares   | 195,302,930                | 186,152,714                     |
| Effects of dilution   |                            |                                 |
| - Employee Share Options  | 439,900                    | 439,900                         |
| - Warrants  | 70,760,472                 | 70,760,472                      |
| Adjusted weighted average number of ordinary shares in issue and issuable | <b>266,503,302</b>         | <b>257,353,086</b>              |
| Diluted profit/(loss) per share (sen)                                     | (0.30)                     | (0.67)                          |

**B14 Disclosure of realised and unrealised profits/losses**

|                                       | <b>As at 30 Sep 2012<br/>RM'000</b> | <b>As at 31 Dec 2011<br/>RM'000</b> |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Total accumulated losses of the group |                                     |                                     |
| - Realised                            | (47,488)                            | (45,547)                            |
| - Unrealised                          | (2,018)                             | (2,234)                             |
|                                       | <u>(49,506)</u>                     | <u>(47,781)</u>                     |
| Less : Consolidation Adjustments      | 34,096                              | 34,096                              |
|                                       | <u>(15,410)</u>                     | <u>(13,685)</u>                     |

**B15 Profit for the Financial Year**

|  | <b>Current Quarter ended</b> |                           | <b>Financial Period ended</b> |                           |
|--|------------------------------|---------------------------|-------------------------------|---------------------------|
|  | <b>30 Sep 2012<br/>RM</b>    | <b>30 Sep 2011<br/>RM</b> | <b>30 Sep 2012<br/>RM</b>     | <b>30 Sep 2011<br/>RM</b> |
| <b>Profit for the period is arrived at after crediting / (charging):</b> |                              |                           |                               |                           |
| Interest Income  | 13,913                       | -                         | 25,479                        | -                         |
| Other Income   | 2,152                        | 104,328                   | 6,892                         | 116,801                   |
| Foreign Exchange   |                              |                           |                               |                           |
| Gain / (Loss)  | 853                          | 19,941                    | 43,679                        | (5,099)                   |
| Gain on disposal of PPE  | 52,000                       | 12,122                    | 52,000                        | 23,122                    |
| Interest Expense   | (1,227)                      | (1,528)                   | (3,895)                       | (511)                     |
| Depreciation   | (364,954)                    | (226,750)                 | (1,093,473)                   | (1,046,621)               |
| Bad debts written-off  | -                            | -                         | -                             | -                         |