

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

UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 31.12.2011
	RM	RM
Consolidated statement of financial position		
Property, plant & equipment	9,273,823	(311,428)
Deferred tax	(2,318,455)	82,484
Asset Revaluation reserve	-	(6,959,652)
Retained Earnings	6,955,368	6,730,708
Consolidated statement of comprehensive income		
Fair value as deemed cost	6,955,368	6,955,368
Asset revaluation	-	(7,106,886)
Changes in depreciation charge	-	(109,403)
Related tax effect	-	31,977

b) Investment in Associate

The Group has ceased to have management control over the financial and operating decisions over one of its subsidiaries, Harvest Court Marketing Sdn Bhd, following a change in management in October 2012. As a result, the Group has elected to equity accounting the accounts of Harvest Court Marketing Sdn Bhd as investment in associate during the period to reflect the change in management control.

There is no impact on the above change to previously reported results of the Group as the change is effected only from October 2012 onwards.

A2 Audit Qualifications

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

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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 December 2012:

- (a) The paid-up share capital of the Company as at 31 December 2012 was 199,073,473 ordinary shares of RM0.25 each or RM49,768,368.
- (b) The number of ESOS outstanding as at 31 December 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 31 December 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	11,659	12,682	-	-	24,341
Inter-segment sales	193	-	-	(193)	-
Total revenue	<u>11,852</u>	<u>12,682</u>	<u>-</u>	<u>(193)</u>	<u>24,341</u>
RESULTS					
Segment results	(800)	2,581	(2,937)	1,206	50
Interest income	-	-	14	-	14
Interest expense	(5)	-	-	-	(5)
Profit before Taxation	(805)	2,581	(2,923)	1,206	59
Taxation	22	-	59	-	81
Net profit for the financial year	<u>(783)</u>	<u>2,581</u>	<u>(2,864)</u>	<u>1,206</u>	<u>140</u>
Additions to non-current assets	313	-	-	-	313
Segment assets	<u>38,456</u>	<u>10,178</u>	<u>37,297</u>	<u>(35,391)</u>	<u>50,540</u>
NON-CASH EXPENSES/ (INCOME)					
Depreciation of	922	-	-	-	1,431

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property, plant and equipment		1	494		
Gain on disposal of property, plant and equipment	(141)	-	-	-	(141)
Impairment on other receivables	-	-	-	-	-
Unrealised gain on foreign exchange	(4)	-	-	-	(4)

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

Save as disclosed in Note A1(b) above, there have been no changes in the composition of the Group for the financial period ended 31 December 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 31 December 2012.

A13 Significant Related Party Transactions

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

	Current Quarter 31 Dec 2012	Comparative Quarter 31 Dec 2011	Financial Period ended 31 Dec 2012	Comparative Financial Period ended 31 Dec 2011
	RM	RM	RM	RM
A related company in which a Director and major shareholder has interest				
Sales of Door Leaves	-	-	26,546	-
Advertisement, Design and Printing expenses	(11,865)	-	(106,746)	-
Construction progress billings	3,620,722	-	8,903,565	-
Reimbursement for Project administration charges	231,522	-	231,522	-

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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 31 December 2012 increased to RM9,245,739 as compared with RM2,885,117 in the similar quarter of the previous financial period ended 31 December 2011. The increase in revenue was mainly due to sales from Construction segment.

B2 Comparison with immediate preceding quarter

The Group generated a profit before tax of RM2,044,761 as compared to a loss before tax of RM848,354 for the immediate preceding quarter ended 30 September 2012. The profit before tax in the current quarter under review was mainly due to profit generated from Construction 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 31 Dec 2012	Comparative Quarter 31 Dec 2011	Financial Period ended 31 Dec 2012	Comparative Financial Period ended 31 Dec 2011
	RM	RM	RM	RM
Current income tax	-	(17,331)	-	(17,331)
Deferred Tax	(144,139)	65,637	81,055	81,054
	(144,139)	48,306	81,055	63,723

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

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together with up to 41,145,641 free detachable warrants in Harvest Court Industries Berhad ("HCIB") on the basis of two Rights Share and 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 announced 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 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 December 2012.

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	3,107,941	57,866
Timber	1 year	3,165,807	2,744,401	421,406
Estimated expenses for the Private Placement	Within 3 months	400,000	400,000	-
Total		6,731,614	6,252,342	479,272

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B9 Group Borrowings and Debts Securities

Group's borrowings as at 31 Dec 2012 were as follows:

	RM'000
(a) Secured Borrowings	96
	96
(b) Short Term Borrowings	96
	96
(c) All in Local Currencies (RM)	96

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 31 December 2012.

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)	1,900,622	166,901
Weighted average number of shares	199,073,473	189,375,314
Basic profit/(loss) per share (sen)	0.96	0.09

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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.

	Current Quarter	Current Year to date
Profit/ (Loss) attributable to ordinary equity holders of the parent (RM)	1,900,622	166,901
Weighted average number of shares	199,073,473	189,375,314
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	270,273,845	260,575,686
Diluted profit/(loss) per share (sen)	0.70	0.06

B14 Disclosure of realised and unrealised profits/losses

	As at 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000
Total accumulated losses of the group		
- Realised	(45,436)	(45,547)
- Unrealised	(2,169)	(2,234)
	<u>(47,605)</u>	<u>(47,781)</u>
Less : Consolidation Adjustments	34,096	34,096
	<u>(13,509)</u>	<u>(13,685)</u>

B15 Profit for the Financial Year

	Current Quarter ended		Financial Period ended	
	31 Dec 2012 RM	31 Dec 2011 RM	31 Dec 2012 RM	31 Dec 2011 RM
Profit for the period is arrived at after crediting / (charging):				
Interest Income	(11,341)	3,321	14,138	3,321
Other Income	244,359	22,325	251,251	139,126
Foreign Exchange Gain / (Loss)	9,492	57,246	53,171	52,147
Gain on disposal of PPE	88,857	95,001	140,857	118,123
Interest Expense	(1,157)	(4,878)	(5,052)	(5,389)
Depreciation	(323,247)	(366,221)	(1,416,720)	(1,412,842)
Bad debts written-off	-	(185,957)	-	(185,957)
Waiver of debts on payables	-	70,561	-	70,561