

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
REVENUE					
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>

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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
A related company in which a Director and major shareholder has interest				
Sales of Door Leaves	-	13,273	-	13,273

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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	-

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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 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
	20,264	184,667	20,264	184,667

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.

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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	-
Total		6,731,614	6,731,614	-

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
	<hr/>	<hr/>	<hr/>
	76	62	138
	<hr/>	<hr/>	<hr/>

The Group borrowings are all denominated in Ringgit Malaysia

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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

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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)
	(48,091)	(47,605)
Less : Consolidation Adjustments	33,766	34,096
	(14,325)	(13,509)

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
Profit for the period is arrived at after crediting / (charging):				
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)