

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

UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 30 June 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	4,097	7,498	-	-	11,595
Inter-segment sales	122	-	-	(122)	-
Total revenue	<u>4,219</u>	<u>7,498</u>	<u>-</u>	<u>(122)</u>	<u>11,595</u>

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RESULTS

Segment results	(739)	781	(1,641)	-	(1,599)
Interest income	-	-	2	-	2
Interest expense	(3)	-	-	-	(3)
Share of profit/(loss) from associate	(35)	-	-	-	(35)
Profit/(loss) before Taxation	(777)	781	(1,639)	-	(1,635)
Taxation	11	(50)	30	-	(9)
Net profit/(loss) for the financial year	(766)	731	(1,609)		(1,644)
Additions to non-current assets	360	-	-	-	360
Segment assets	38,273	13,423	32,491	(31,992)	52,195

NON-CASH EXPENSES/ (INCOME)

Depreciation of property, plant and equipment	431	1	247	-	679
Gain on disposal of property, plant and equipment	-	-	-	-	-
Impairment on other receivables	-	-	-	-	-
Unrealised gain on foreign exchange	-	-	-	-	-

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 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 30 June 2013.

A13 Significant Related Party Transactions

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

	Current Quarter 30 Jun 2013	Comparative Quarter 30 Jun 2012	Financial Period ended 30 Jun 2013	Comparative Financial Period ended 30 Jun 2012
	RM	RM	RM	RM
A related company in which a Director and major shareholder has interest				
Sales of Door Leaves	-	13,273	-	26,546

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Advertisement, Design and Printing expenses	38,838	39,086	43,344	39,086
Construction progress billings	5,806,559	5,282,843	8,918,199	5,282,843
Reimbursement for Project administration charges	-	-	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 30 June 2013 increased to RM7,612,907 as compared with RM7,324,108 in the similar quarter of the previous financial period ended 30 June 2012. The increase in revenue was mainly due to higher sales from construction division.

B2 Comparison with immediate preceding quarter

The Group incurred a loss before tax of RM798,350 as compared to a loss before tax of RM836,075 for the immediate preceding quarter ended 31 March 2013. The decrease in loss before tax in the current quarter under review was due to higher sales from construction division.

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 are achieved in this year.

B4 Variance of Actual Profit from Forecast Profit

This note is not applicable.

B5 Taxation

	Current Quarter 30 Jun 2013	Comparative Quarter 30 Jun 2012	Financial Period ended 30 Jun 2013	Comparative Financial Period ended 30 Jun 2012
	RM	RM	RM	RM
Current income tax	(50,000)	-	(50,000)	-
Deferred Tax	20,263	20,263	40,527	204,930
	(29,737)	20,263	(9,473)	204,930

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, 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

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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.

On 16 July 2013, HCIB announced that the entitlement date for the above Right Issues was 30 July 2013 and the listing date of the above Right shares and additional warrants will be 30 August 2013.

On 23 August 2013, HCIB announced that as at the close of acceptance, excess application and payment for the Rights Issue at 5.00 p.m. on 16 August 2013 ("Closing Date"), HCIB had received valid acceptances and excess applications for a total of 110,172,093 Rights Shares. This represents an over subscription of approximately 66.03% over the total number of Rights Shares available under the Rights Issue with Warrants.

The details of valid acceptances and excess applications received as at the Closing Date are as follows:-

	No. of Rights Shares	% of total rights
Total valid acceptances	60,240,387	90.78
Total valid excess applications	49,931,706	75.25
Total valid acceptances and excess applications	110,172,093	166.03
Total Rights Shares available for subscription	66,356,050	100.00
Over subscription	43,816,043	66.03

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B9 Group Borrowings and Debts Securities

Group's borrowings as at 30 Jun 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	23	182	205
	<hr/>	<hr/>	<hr/>
	87	182	269

The Group borrowings are all denominated in Ringgit Malaysia

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 lodged an appeal against the said decision which was fixed for hearing on 11 July 2013. The Court of Appeal has allowed the Company to recover cost of RM50,000 from Kilang Papan Galas Setia (Kelantan) Sdn Bhd.

B12 Dividends - Proposed, Recommended or Declared

There were no dividends proposed, recommended or declared for the period ended 30 June 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)	(828,087)	(1,643,898)
Weighted average number of shares	199,073,473	199,073,473
Basic profit/(loss) per share (sen)	(0.42)	(0.83)

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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)	(828,087)	(1,643,898)
Weighted average number of shares	199,073,473	199,073,473
Adjustment for Assumed exercise of ESOS and warrant	16,142,862	9,820,741
Adjusted weighted average number of ordinary shares in issue and issuable	215,216,335	208,894,214
Diluted profit/(loss) per share (sen)	(0.38)	(0.79)

B14 Disclosure of realised and unrealised profits/losses

	As at 30 Jun 2013 RM'000	As at 31 Dec 2012 RM'000
Total accumulated losses of the group		
- Realised	(46,786)	(45,436)
- Unrealised	(2,133)	(2,169)
	(48,919)	(47,605)
Less : Consolidation Adjustments	33,766	34,096
	<u>(15,153)</u>	<u>(13,509)</u>

B15 Profit for the Financial Year

	Current Quarter ended		Financial Period ended	
	30 Jun 2013 RM	30 Jun 2012 RM	30 Jun 2013 RM	30 Jun 2012 RM
Profit for the period is arrived at after crediting / (charging):				
Interest Income	82	5,880	1,775	11,567
Other Income	3,765	1,518	6,484	4,740
Foreign Exchange Gain / (Loss)	2,960	45,800	23,049	42,826
Gain on disposal of PPE	-	52,000	-	52,000
Interest Expense	(2,117)	(1,299)	(3,203)	(2,668)
Depreciation	(342,878)	(364,247)	(678,922)	(728,519)