

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

**UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1 Basis of Preparation and Significant Accounting Policies**

The condensed interim financial statements for the period ended 30 September 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"), and should be read in conjunction with the Group audited financial statements for the year ended 31 December 2012.

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 30 September 2013:

	Units			
	Ordinary Shares of RM0.25 each	Warrant A 2009/2019	Warrant B 2013/2023	ESOS
As at 1 Jan 2013	199,073,473	70,760,472	-	439,900
Arising from Right Issues which was completed on 30 Aug 2013	66,356,050	9,906,426	33,178,025	56,200
Lapsed on staff resignation	-	-	-	(4,300)
<b>As at 30 Sep 2013</b>	<b>265,429,523</b>	<b>80,666,898</b>	<b>33,178,025</b>	<b>491,800</b>

**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 2013 is as follows:-

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	Timber product manufacturing RM'000	Property development & construction RM'000	Investment holding and others RM'000	Adjustment and Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>					
External sales	6,431	8,564	-	-	14,995
Inter-segment sales	140	-	-	(140)	-
Total revenue	<u>6,571</u>	<u>8,564</u>	<u>-</u>	<u>(140)</u>	<u>14,995</u>
<b>RESULTS</b>					
Segment results	(898)	538	(2,025)	-	(2,385)
Interest income	-	-	66	-	66
Interest expense	(6)	-	-	-	(6)
Share of profit/(loss) from associate	(45)	-	-	-	(45)
Profit/(loss) before Taxation	(949)	538	(1,959)	-	(2,370)
Taxation	16	(50)	45	-	11
Net profit/(loss) for the financial year	<u>(933)</u>	<u>488</u>	<u>(1,914)</u>	<u>-</u>	<u>(2,359)</u>
Additions to non-current assets	580	-	1	-	581
Segment assets	<u>38,119</u>	<u>13,640</u>	<u>48,963</u>	<u>(37,362)</u>	<u>63,360</u>
<b>NON-CASH EXPENSES/ (INCOME)</b>					
Depreciation of property, plant and equipment	651	1	370	-	1,022
Gain on disposal of property, plant and equipment	-	-	-	-	-
Impairment on other receivables	-	-	-	-	-
Unrealised gain on foreign exchange	(26)	-	-	-	(26)

**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 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 September 2013.

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**A13 Significant Related Party Transactions**

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

	Current Quarter 30 Sep 2013	Comparative Quarter 30 Sep 2012	Financial Period ended 30 Sep 2013	Comparative Financial Period ended 30 Sep 2012
	RM	RM	RM	RM
<b>Related companies in which a Director and major shareholder has interest</b>				
Sales of Door Leaves	64,100	-	64,100	26,546
Advertisement, Design and Printing expenses	3,046	55,795	46,390	94,881
Construction progress billings	1,200,882	-	10,119,080	5,282,843
Reimbursement for Project administration charges	330,005	-	330,470	-

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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 2013 decreased to RM3,400,899 as compared with RM3,779,212 in the similar quarter of the previous financial period ended 30 September 2012. The decrease in revenue was mainly due to lower sales from timber division.

**B2 Comparison with immediate preceding quarter**

The Group incurred a loss before tax of RM735,151 as compared to a loss before tax of RM798,350 for the immediate preceding quarter ended 30 June 2013. The reduce in loss in the current quarter under review was mainly due to increase in other income from project administrative charges, which partially offset by increase in corporate exercise and administrative expenses.

**B3 Prospects**

For the remaining of year 2013, Malaysia in tandem with other Asian economies are expected to grow at a moderate pace due to softer domestic demand and lower export earnings. The operating environment will remain challenging and 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 Sep 2013	Comparative Quarter 30 Sep 2012	Financial Period ended 30 Sep 2013	Comparative Financial Period ended 30 Sep 2012
	RM	RM	RM	RM
Current income tax	-	-	(50,000)	-
Deferred Tax	20,264	20,264	60,791	225,194
	<b>20,264</b>	<b>20,264</b>	<b>10,791</b>	<b>225,194</b>

**B6 Profit/(Loss) on Sale of Unquoted Investments or Properties**

There was 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**

There were no corporate proposals that have been announced but not yet completed during the period under review.

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**Utilisation of Proceeds From Right Issues**

As at 30 September 2013, the proceeds raised from the Right Issues exercise were utilized as follows:

Purpose	Expected time frame for utilisation of proceeds from the date of listing of the Right Shares	Proposed utilisation RM	Actual utilisation RM	Deviation RM
Bank Borrowing	Within 3 months	64,493	-	64,493
Construction	1 year	11,007,164	3,788,751	7,218,413
Timber	1 year	4,717,356	1,790,937	2,926,419
Estimated expenses for the Right Issues	Within 3 months	800,000	212,499	587,501
Total		16,589,013	5,792,187	10,796,826

**B9 Group Borrowings and Debts Securities**

Group's borrowings as at 30 September 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	17	311	328
	81	311	392

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 Company had lodged an appeal against the said decision on 27 July 2011, which was fixed for hearing on 11 July 2013. The result of the hearing was Kilang Papan Galas Setia (Kelantan) Sdn Bhd was ordered to pay cost of RM50,000 to the Company, the High Court decision on 8 July 2011 was set aside and the judgement sum was returned to the Company.

**B12 Dividends - Proposed, Recommended or Declared**

There were no dividends proposed, recommended or declared for the period ended 30 September 2013.

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**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.

	<b>Current Quarter</b>	<b>Current Year to date</b>
Profit/ (Loss) attributable to ordinary equity holders of the parent (RM)	(714,887)	(2,358,786)
Weighted average number of shares	222,153,838	206,851,472
Basic profit/(loss) per share (sen)	(0.32)	(1.14)

(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 Quarter</b>	<b>Current Year to date</b>
Profit/ (Loss) attributable to ordinary equity holders of the parent (RM)	(714,887)	(2,358,786)
Weighted average number of shares	222,153,838	206,851,472
Adjustment for Assumed exercise of ESOS and warrant	3,212,338	11,884,462
Adjusted weighted average number of ordinary shares in issue and issuable	<b>225,366,176</b>	<b>218,735,934</b>
Diluted profit/(loss) per share (sen)	(0.32)	(1.08)

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

	<b>As at 30 Sep 2013 RM'000</b>	<b>As at 31 Dec 2012 RM'000</b>
Total accumulated losses of the group		
- Realised	(47,547)	(45,436)
- Unrealised	(2,087)	(2,169)
	<u>(49,634)</u>	<u>(47,605)</u>
Less : Consolidation Adjustments	33,766	34,096
	<u>(15,868)</u>	<u>(13,509)</u>

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**B15 Profit for the Financial Year**

	Current Quarter ended		Financial Period ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM	RM	RM	RM
<b>Profit for the period is arrived at after crediting / (charging):</b>				
Interest Income	63,907	13,913	65,682	25,479
Other Income	333,248	2,152	339,732	6,892
Foreign Exchange Gain / (Loss)	30,861	853	53,910	43,679
Gain on disposal of PPE	-	52,000	-	52,000
Interest Expense	(2,527)	(1,227)	(5,730)	(3,895)
Depreciation	(343,393)	(364,954)	(1,022,315)	(1,093,473)