

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

UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 December 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 31 December 2013:

	Units			ESOS
	Ordinary Shares of RM0.25 each	Warrant A 2009/2019	Warrant B 2013/2023	
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)
As at 31 Dec 2013	265,429,523	80,666,898	33,178,025	491,800

On 10 December 2013, the Company offered 12,000,000 employees share options to subscribe for ordinary shares at RM0.25 each to staffs and directors of the Group and a total of 11,771,300 employees share options have been accepted subsequently.

A7 Dividend Paid

There were no dividends paid for the current quarter.

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A8 Segment Revenue and Results

The segmental analysis for the Group for the financial period ended 31 December 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	8,398	8,564	-	-	16,962
Inter-segment sales	151	-	-	(151)	-
Total revenue	<u>8,549</u>	<u>8,564</u>	<u>-</u>	<u>(151)</u>	<u>16,962</u>
RESULTS					
Segment results	(1,188)	413	(2,984)	-	(3,759)
Interest income	-	-	92	-	92
Interest expense	(10)	-	-	-	(10)
Share of profit/(loss) from associate	27	-	-	-	27
Profit/(loss) before Taxation	(1,171)	413	(2,892)	-	(3,650)
Taxation	22	(70)	(4)	-	(52)
Net profit/(loss) for the financial year	<u>(1,149)</u>	<u>343</u>	<u>(2,896)</u>	<u>-</u>	<u>(3,702)</u>
Additions to non-current assets	650	-	1	-	651
Segment assets	<u>38,104</u>	<u>12,088</u>	<u>48,372</u>	<u>(42,290)</u>	<u>56,274</u>
NON-CASH EXPENSES/ (INCOME)					
Depreciation of property, plant and equipment	876	1	494	-	1,371
Gain on disposal of property, plant and equipment	-	-	-	-	-
Impairment on other receivables	-	-	-	-	-
Unrealised gain on foreign exchange	(1)	-	-	-	(1)

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 December 2013 except for the additional acquisition of 40% shareholdings in Harvest Court Marketing Sdn Bhd on 9 October 2013 which makes it a wholly owned subsidiary.

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.

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A12 Capital commitment

There were no capital commitments incurred by the Group to any parties as at 31 December 2013.

A13 Significant Related Party Transactions

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

	Current Quarter 31 Dec 2013	Comparative Quarter 31 Dec 2012	Financial Period ended 31 Dec 2013	Comparative Financial Period ended 31 Dec 2012
	RM	RM	RM	RM
Related companies in which a Director and major shareholder has interest				
Sales of Door Leaves	684,463	-	748,563	26,546
Advertisement, Design and Printing expenses	-	(11,865)	(46,390)	(106,746)
Construction progress billings	-	3,620,722	10,119,080	8,903,565
Reimbursement for Project administration charges	126,861	231,522	457,331	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 quarter financial period ended 31 December 2013 decreased to RM1,966,134 as compared with RM9,245,739 in the similar quarter of the previous financial period ended 31 December 2012. The decrease in revenue was mainly due to lower sales from both timber and construction divisions.

B2 Comparison with immediate preceding quarter

The Group incurred a loss before tax of RM1,280,544 as compared to a loss before tax of RM735,152 for the immediate preceding quarter ended 30 September 2013. The increase in loss in the current quarter under review was mainly due to lower turnover and higher administrative expenses.

B3 Prospects

For the year of 2014, 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 31 Dec 2013	Comparative Quarter 31 Dec 2012	Financial Period ended 31 Dec 2013	Comparative Financial Period ended 31 Dec 2012
	RM	RM	RM	RM
Current income tax	(83,000)	-	(133,000)	-
Deferred Tax	20,264	(144,139)	81,055	81,055
	(62,736)	(144,139)	(51,945)	81,055

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

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 31 December 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	84,000	(19,507)
Construction	1 year	11,007,164	6,965,948	4,041,216
Timber	1 year	4,717,356	3,382,597	1,334,759
Estimated expenses for the Right Issues	Within 3 months	800,000	300,064	499,936
Total		16,589,013	10,732,609	5,856,404

B9 Group Borrowings and Debts Securities

Group's borrowings as at 31 December 2013 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
(a) Secured Borrowings			
Bank borrowings	-	-	-
Hire purchase payables	63	249	312
	<u>63</u>	<u>249</u>	<u>312</u>

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 31 December 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.

	Current Quarter	Current Year to date
Profit/ (Loss) attributable to ordinary equity holders of the parent (RM)	(1,343,280)	(3,702,066)
Weighted average number of shares	265,429,523	221,616,350
Basic profit/(loss) per share (sen)	(0.51)	(1.67)

(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)	(1,343,280)	(3,702,066)
Weighted average number of shares	265,429,523	221,616,350
Adjustment for Assumed exercise of ESOS and warrant	-	8,469,387
Adjusted weighted average number of ordinary shares in issue and issuable	265,429,523	230,085,737
Diluted profit/(loss) per share (sen)	(0.51)	(1.61)

B14 Disclosure of realised and unrealised profits/losses

	As at 31 Dec 2013 RM'000	As at 31 Dec 2012 RM'000
Total accumulated losses of the group		
- Realised	(52,212)	(45,436)
- Unrealised	(2,091)	(2,169)
	<u>(54,303)</u>	<u>(47,605)</u>
Less : Consolidation Adjustments	37,091	34,096
	<u>(17,212)</u>	<u>(13,509)</u>

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B15 Profit for the Financial Year

	Current Quarter ended		Financial Period ended	
	31 Dec 2013 RM	31 Dec 2012 RM	31 Dec 2013 RM	31 Dec 2012 RM
Profit for the period is arrived at after crediting / (charging):				
Interest Income	26,297	(11,341)	91,979	14,138
Other Income	133,580	244,359	473,312	251,251
Foreign Exchange Gain / (Loss)	(5,519)	9,492	48,391	53,171
Gain on disposal of PPE	-	88,857	-	140,857
Interest Expense	(4,445)	(1,157)	(10,175)	(5,052)
Depreciation	(348,734)	(323,247)	(1,371,049)	(1,416,721)