

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

UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

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 2014 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 2013.

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 2013.

A2 Audit Qualifications

The auditors' report on the financial statements for the year ended 31 December 2013 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 2014:

- (a) The paid-up share capital of the Company as at 31 March 2014 was 265,429,523 ordinary shares of RM0.25 each or RM66,357,081.
- (b) The number of ESOS outstanding as at 31 March 2014 was 12,143,100.

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 2014 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	1,667	-	-	-	1,667
Inter-segment sales	4	-	-	(4)	-
Total revenue	<u>1,671</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>1,667</u>

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RESULTS

Segment results	(381)	(48)	(956)	-	(1,385)
Interest income	-	-	56	-	56
Interest expense	(4)	-	-	-	(4)

Profit/(loss) before Taxation	(385)	(48)	(900)	-	(1,333)
Taxation	5	-	15	-	20

Net profit/(loss) for the financial year	(380)	(48)	(885)	-	(1,313)
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Additions to non-current assets	15	-	-	-	15
Segment assets	37,957	12,951	47,527	(42,579)	55,856

NON-CASH EXPENSES/ (INCOME)

Depreciation of property, plant and equipment	225	-	123	-	348
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 March 2014.

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 2014.

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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 31 Mar 2014	Comparative Quarter 31 Mar 2013	Financial Period ended 31 Mar 2014	Comparative Financial Period ended 31 Mar 2013
	RM	RM	RM	RM
Related companies in which a Director and major shareholder has interest				
Sales of Door Leaves	200,138	-	200,138	-
Sales of Building Material	13,682	-	13,682	-
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 quarter financial period ended 31 March 2014 decreased to RM1,667,209 as compared with RM3,981,661 in the similar quarter of the previous financial period ended 31 March 2013. The decrease in revenue was mainly due to shut down of timber door section and lower sales from construction divisions.

B2 Comparison with immediate preceding quarter

The Group incurred a loss before tax of RM1,332,930 as compared to a loss before tax of RM1,297,151 for the immediate preceding quarter ended 31 December 2013. The increase in loss in the current quarter under review was mainly due to reduction in interest income and share of result from associate.

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 services 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 Mar 2014	Comparative Quarter 31 Mar 2013	Financial Period ended 31 Mar 2014	Comparative Financial Period ended 31 Mar 2013
	RM	RM	RM	RM
Current income tax	-	-	-	-
Deferred Tax	20,264	20,264	20,264	20,264
	20,264	20,264	20,264	20,264

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.

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B8 Status of Corporate Proposals

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

Utilisation of Proceeds From Right Issues

As at 31 March 2014, 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	114,754	(50,261)
Construction	1 year	11,007,164	7,837,572	3,169,592
Timber	1 year	4,717,356	3,709,077	1,008,279
Estimated expenses for the Right Issues	Within 3 months	800,000	448,150	351,850
Total		16,589,013	12,109,553	4,479,460

B9 Group Borrowings and Debts Securities

Group's borrowings as at 31 March 2014 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
(a) Secured Borrowings			
Hire purchase payables	48	249	297
	48	249	297

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 2013.

B12 Dividends - Proposed, Recommended or Declared

There were no dividends proposed, recommended or declared for the period ended 31 March 2014.

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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)	(1,312,666)	(1,312,666)
Weighted average number of shares	265,429,523	265,429,523
Basic profit/(loss) per share (sen)	(0.49)	(0.49)

(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)	(1,312,666)	(1,312,666)
Weighted average number of shares	265,429,523	265,429,523
Adjustment for Assumed exercise of ESOS and warrant	-	-
Adjusted weighted average number of ordinary shares in issue and issuable	265,429,523	265,429,523
Diluted profit/(loss) per share (sen)	(0.49)	(0.49)

B14 Disclosure of realised and unrealised profits/losses

	As at 31 Mar 2014 RM'000	As at 31 Dec 2013 RM'000
Total accumulated losses of the group		
- Realised	(51,172)	(52,185)
- Unrealised	(2,071)	(2,091)
	<u>(53,243)</u>	<u>(54,276)</u>
Less : Consolidation Adjustments	34,702	37,048
	<u>(18,541)</u>	<u>(17,228)</u>

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B15 Profit for the Financial Year

	Current Quarter ended		Financial Period ended	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	RM	RM	RM	RM
Profit for the period is arrived at after crediting / (charging):				
Interest Income	56,657	1,693	56,657	1,693
Other Income	5,427	2,719	5,427	2,719
Foreign Exchange Gain / (Loss)	2,878	20,089	2,878	20,089
Gain on disposal of PPE	-	-	-	-
Interest Expense	(3,707)	(1,086)	(3,707)	(1,086)
Depreciation	(348,350)	(336,044)	(348,350)	(336,044)