

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

UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of Preparation and Significant Accounting Policies

The condensed interim financial statements for the period ended 30 June 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 30 June 2014:

	Units			
	Ordinary Shares of RM0,25 each	Warrant A 2009/2019	Warrant B 2013/2023	ESOS
As at 1 Jan 2014	265,429,523	80,666,898	33,178,025	491,800
ESOS allocation	-	-	-	27,000,000
ESOS exercised	14,576,600	-	-	(14,576,600)
As at 30 Jun 2014	<u>280,006,123</u>	<u>80,666,898</u>	<u>33,178,025</u>	<u>12,915,200</u>

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 30 June 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	2,897	-	-	-	2,897
Inter-segment sales	4	-	-	(4)	-
Total revenue	<u>2,901</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>2,897</u>
RESULTS					
Segment results	(1,044)	(76)	(2,805)	-	(3,925)
Interest income	-	-	103	-	103
Interest expense	(7)	-	-	-	(7)
Profit/(loss) before Taxation	(1,051)	(76)	(2,702)	-	(3,829)
Taxation	11	-	30	-	41
Net profit/(loss) for the financial year	<u>(1,040)</u>	<u>(76)</u>	<u>(2,672)</u>	<u>-</u>	<u>(3,788)</u>
Additions to non-current assets	134	-	-	-	134
Segment assets	<u>37,750</u>	<u>10,878</u>	<u>49,862</u>	<u>(40,948)</u>	<u>57,542</u>
NON-CASH EXPENSES/ (INCOME)					
Depreciation of property, plant and equipment	443	-	247	-	690
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 B11.

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 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.

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A12 Capital commitment

There were no capital commitments incurred by the Group to any parties as at 30 June 2014.

A13 Significant Related Party Transactions

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

	Current Quarter 30 Jun 2014	Comparative Quarter 30 Jun 2013	Financial Period ended 30 Jun 2014	Comparative Financial Period ended 30 Jun 2013
	RM	RM	RM	RM
Related companies in which a Director and major shareholder has interest				
Sales of Door Leaves	-	-	200,138	-
Sales of Building Material	-	-	13,682	-
Advertisement, Design and Printing expenses	(43,241)	(38,838)	(43,241)	(43,344)
Construction progress billings	-	5,806,559	-	8,918,199
Reimbursement for Project administration charges	117,185	-	117,185	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 30 June 2014 decreased to RM2,897,444 as compared with RM11,594,568 in the similar quarter of the previous financial period ended 30 June 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 RM2,496,377 as compared to a loss before tax of RM1,332,930 for the immediate preceding quarter ended 31 March 2014. The increase in loss in the current quarter under review was mainly due to lower revenue 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 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 30 Jun 2014	Comparative Quarter 30 Jun 2013	Financial Period ended 30 Jun 2014	Comparative Financial Period ended 30 Jun 2013
	RM	RM	RM	RM
Current income tax	-	(50,000)	-	(50,000)
Deferred Tax	20,263	20,263	40,527	40,527
	20,263	(29,737)	40,527	(9,473)

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.

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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 30 June 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	8,708,994	2,298,170
Timber	1 year	4,717,356	4,123,799	593,557
Estimated expenses for the Right Issues	Within 3 months	800,000	668,448	131,552
Total		16,589,013	13,615,995	2,973,018

B9 Group Borrowings and Debts Securities

Group's borrowings as at 30 June 2014 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
(a) Secured Borrowings			
Hire purchase payables	32	249	281
	32	249	281

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 Litigations

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, except as disclosed below:

- 1) on 10 June 2014, the Company has received a Writ of Summon and Statement of Claim both dated 6 June 2014 from from Zenith City Investment Limited ("Plaintiff") for failure to comply with Section 151 of the Companies Act.

The Plaintiff's claims various damages and loss suffered from the breach of Section 151 of the Companies Act, 1965 by the Company, cost on full indemnity basis and any other order or relief granted by the Court.

The Plaintiff also claims from the Company the refund of their bank draft of RM10,000 earlier forwarded to the Company.

The Company has filed a notice of application to strike out the above Writ and Statement of Claim on 30 June 2014. The Court has fixed the matter for case management on 23 September 2014.

- 2) on 30 June 2014, the Company has received a Writ of Summon and Statement of Claim both dated 24 June 2014 from Datuk Chai Woon Chet ("Plaintiff"). The said Writ and Statement of Claim was filed against the Company pursuant to the Company's announcements made on 10 June 2014 and 19 June 2014 respectively and article published by the Edge on 20 June 2014 wherein the Plaintiff claimed that the same defamed him.

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The Plaintiff's claims various damages, injunction for restraining the Company to make further publishing or causing to be published any statement of defamation to the Plaintiff and an order to request the Company to publish a statement of apologies for the said statement of defamation on the media selected by the Plaintiff within 14 days from the date of judgment or within 5 days from the date of serving the judgment to the Company (whichever is earlier).

The Company has filed a notice of application to strike out the above Writ and Statement of Claim on 22 July 2014. The Court had fixed the matter for hearing on 5 September 2014.

- 3) on 11 July 2014, the Company has commenced an action in Kuala Lumpur High Court against Zenith City Investments Limited, Datuk Chai Woon Chet & 32 others (collectively as "Defendants") as the Defendants have together acted in concert to breach Section 9(1) of the Malaysian Code on Take Overs and Mergers 2010 ("the Code") for their failure to make a mandatory general offer to the Company's shareholders. Pursuant to Section 217 of the Capital Markets and Services Act 2007 ("the CMSA"), the Code is to be complied with.

The Company believes that the Defendants together hold 33% or more of the Company's shares and pursuant to Section 9(1) of the Code, it is mandatory for the Defendants to make a general offer to all the shareholders of the Company. The Defendants' failure to make such mandatory general offer affects the interest of the Company's shareholders particularly the minority shareholders. Thus, the Company/Plaintiff claims from the Defendants either jointly and/or severally the following Orders in the aforesaid civil action:-

- i) a declaration that the Defendants together held 33% or more shares in the Plaintiff company;
- ii) a mandatory injunction compelling the Defendants either jointly and/or severally make a general offer to all the Plaintiff's shareholders in accordance to the rules and regulations;
- iii) costs incurred by the Plaintiff to hold another general meeting;
- iv) general damages and any other cost as decided by the Court.

The above case is fixed for case management on 28 August 2014.

- 4) on 11 August 2014, the Company has received an Originating Summons dated 30 July 2014 and Notice of Application dated 31 July 2014 from Syawaras Sdn Bhd ("Plaintiff").

Pursuant to the Originating Summons and Notice of Application, the Plaintiff informed that they had on 8 July 2014 lodged a complaint to Suruhanjaya Syarikat Malaysia ("SSM") and requested SSM to investigate the Sale and Purchase Agreement ("SPA") entered between Dato' Lim Thiam Huat ("the Vendor") and the Company on 19 June 2014 as the Plaintiff is alleging that the Board of Directors of the Company at the material time was not acting in good faith and in the best interest of the Company during the process of finalising the said transaction. In view of this, the Plaintiff's claims included the following :-

- i) An order to prohibit the Company to implement and/or resolve the SPA until :-
 - a) the conclusion of the investigation from SSM; and
 - b) decision from the Prosecutor whether any charge will be filed against the Board of Directors at the material time and the Vendor
- ii) cost incurred for this application and any other cost to be paid by the Board of Directors at the material time and the Vendor; and
- iii) Any other order or relief granted by the Court.

At the hearing held on 13 August 2014 the Company gave an undertaking to the Court that the Company will not take steps to complete the Sale and Purchase Agreement dated 19 June 2014 pending service of the Originating Summons to all other Defendants and until the hearing date of the Notice of Application.

The above matter is fixed for further case management on 2 September 2014 to enable the Court to fix a hearing date for the Notice of Application.

- 5) on 12 August 2014, the Company has received an Originating Summons dated 30 July 2014 from Zenith City Investments Limited ("Zenith") and Syawaras Sdn Bhd ("Syawaras") (collectively as "Plaintiffs").

The Plaintiffs is alleging that the Extraordinary General Meeting ("EGM") proposed to be held on 8 August 2014 was impracticable to call due to the Company's failure to provide the Record of

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Depositors ("ROD") as requested by the Plaintiffs. In view of this, the Plaintiffs filed this Originating Summons to have an EGM convened by the Court for the purposes of passing the Resolutions under Section 150 of the Companies Act, 1965 ("the Act").

Pursuant to the Originating Summons, the Plaintiffs' claims included the following :-

i) An order to convene an Extraordinary General Meeting ("EGM") by the Company pursuant to Section 150 of the Companies Act, 1965 ("the Act"), to consider and if thought fit, passing the plaintiffs proposed resolutions in removing existing directors, Dato' Mohamed Amir Abas bin Zainal Azim, Ng Wai Han, Woo Mun Chee and Zanuri bin Zainal; and appointment of new directors, Dato' Seri Abdul Azim bin Mohd Zabidi, Datuk Chai Woon Chet and Wong Kwai Wah.

At the same time, the plaintiffs also seek to remove any director who is being appointed as a director of the Company at any time from 1 July 2014 up to an including the time of the conclusion of the EGM (including any adjournment thereof).

(ii) An order for the manner of EGM being called, held or conducted and any other ancillary and consequential orders which is deemed expedient by the court;

(iii) An order to the Company to provide a copy of Record of Depositors within 21 days from the date of Judgment or any period which deem appropriate to expedient the EGM but not less than 3 market days before the date of EGM;

(iv) parties are at liberty to make any applications thereafter;

(v) Costs; and any other relief granted by the Court.

The Court has fixed for further case management on 29 September 2014 for the hearing of the said Originating Summons.

B12 Dividends - Proposed, Recommended or Declared

There were no dividends proposed, recommended or declared for the period ended 30 June 2014.

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)	(2,476,144)	(3,788,780)
Weighted average number of shares	269,143,840	267,000,503
Basic profit/(loss) per share (sen)	(0.92)	(1.42)

(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)	(2,476,144)	(3,788,780)
Weighted average number of shares Adjustment for	269,143,840	267,000,503

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Assumed exercise of ESOS and warrant	20,536,556	10,466,432
Adjusted weighted average number of ordinary shares in issue and issuable	289,680,396	277,466,935
Diluted profit/(loss) per share (sen)	(0.85)	(1.37)

B14 Disclosure of realised and unrealised profits/losses

	As at 30 Jun 2014	As at 31 Dec 2013
	RM'000	RM'000
Total accumulated losses of the group		
- Realised	(53,276)	(52,185)
- Unrealised	(2,052)	(2,091)
	(55,328)	(54,276)
Less : Consolidation Adjustments	34,702	37,048
	<u>(20,626)</u>	<u>(17,228)</u>

B15 Profit for the Financial Year

	Current Quarter ended		Financial Period ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM	RM	RM	RM
Profit for the period is arrived at after crediting / (charging):				
Interest Income	46,106	82	102,763	1,775
Other Income	121,933	3,765	127,360	6,484
Foreign Exchange Gain / (Loss)	(864)	2,960	2,014	23,049
Bad debts written off	(3,218)	-	(3,218)	-
Interest Expense	(3,497)	(2,117)	(7,204)	(3,203)
Depreciation	(341,772)	(342,878)	(690,122)	(678,922)