

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

**UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

**EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2010.

The interim financial information for the three months ended 31 March 2011 has been reviewed by the Company's auditors in accordance with International Standards on Review Engagements 2410 – Review of Interim Financial Information performed by the Independent Auditor of the Company.

**A2 Changes in Accounting Policies**

Basis of accounting

The financial statements of the Group have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in compliance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

During the financial period, the Group have adopted the following applicable new Financial Reporting Standards ("FRSs"), revised FRSs, Issues Committee ("IC") Interpretations and amendments to FRSs, issued by the Malaysian Accounting Standards Board that are mandatory for the current financial period:-

Amendments to FRS 132	Financial Instruments: Presentation
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated & Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
Amendment to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

Amendments to FRSs contained in the documents entitled "Improvements to FRSs (2010)"

The revised FRSs are either not applicable to the Group or the adoption did not result in significant changes in accounting policies of the Group and did not have significant impact on the financial position and performance of the Group.

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The Group have not adopted earlier the following new FRSs, revised FRSs, Issues Committee ("IC") Interpretations, amendments to FRSs and IC Interpretations, which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:-

		Effective date for financial periods beginning on or after
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for Construction of Real Estate	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012

The initial applications of the above applicable new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Group, except as discussed below:-

(i) FRS 127: Consolidated and Separate Financial Statements

This Standard supersedes the existing FRS 127 and replaces the current term 'minority interest' with a new term 'non-controlling interest' which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. If the Group loses control of a subsidiary, any gains or losses are recognised in profit or loss and any investment retained in the former subsidiary shall be measured at its fair value at the date when control is lost.

The Group re-phrased its minority interest as non-controlling interest and remeasured the non-controlling interest prospectively in accordance with the transitional provisions of the revised FRS 127.

**A3 Audit Qualifications**

The auditors' report on the financial statements for the year ended 31 December 2010 was not qualified.

**A4 Seasonal or Cyclical Factors**

The operations of the Group were not significantly affected by seasonal and cyclical factors.

**A5 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.

**A6 Material Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter results.

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**A7 Debt and Equity Securities**

Save as below, there were no issuance, cancellations, repurchases, resale and repayment of debt or equity securities for the period ended 31 March 2011.

As at 31 March 2011, a total of 1,688,000 ordinary shares had been allotted to employees of the Group under the ESOS. Subsequent to the quarter ended 31 March 2011, no ESOS have been exercised.

**A8 Dividend Paid**

There were no dividends paid for the current quarter.

**A9 Segment Revenue and Results**

The segmental analysis for the Group for the financial period ended 31 March 2011 is as follows:-

	<b>Timber product manufacturing RM'000</b>	<b>Property development RM'000</b>	<b>Investment holding and others RM'000</b>	<b>Adjustment and elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>REVENUE</b>					
External sales	2,757	-	-	-	2,757
Inter-segment sales	80	-	-	(80)	-
Total revenue	<u>2,837</u>	<u>-</u>	<u>-</u>	<u>(80)</u>	<u>2,757</u>
<b>RESULTS</b>					
Segment results	(369)	(2)	271	(734)	(834)
Interest income	-	-	-	-	-
Interest expense	(8)	-	-	-	(8)
Loss before taxation	(377)	(2)	271	(734)	(842)
Taxation	-	-	-	-	-
Net loss for the financial year	<u>(377)</u>	<u>(2)</u>	<u>271</u>	<u>(734)</u>	<u>(842)</u>
Additions to non-current assets	1,297	-	-	-	1,297
Segment assets	<u>26,304</u>	<u>1</u>	<u>5,473</u>	<u>(2)</u>	<u>31,776</u>
<b>NON-CASH EXPENSES/ (INCOME)</b>					
Depreciation of property, plant and equipment	201	-	64	-	265
Gain on disposal of property, plant and equipment	(11)	-	-	-	(11)
Impairment on other receivables	-	-	365	-	365
Unrealised loss on foreign exchange	11	-	-	-	11
Reversal of impairment on investment in subsidiary companies	-	-	(1,287)	1,287	-

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**A10 Valuation of Property, Plant and Equipment**

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

**A11 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.

**A12 Changes in Composition of the Group**

There have been no changes in the composition of the Group for the financial period ended 31 March 2011.

**A13 Changes in Contingent liabilities/Contingent assets**

There were no material changes in contingent liabilities or assets since the last annual balance sheet date.

**A14 Capital commitment**

There were no capital commitments incurred by the Group to any parties as at 31 March 2011.

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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 31 March 2011 increased to RM2,756,532 as compared with RM1,686,660 in the similar quarter of the previous financial period ended 31 March 2010. The increase in timber product manufacturing revenue was mainly due to higher sales in terms of volume and value to India and Dubai.

**B2 Comparison with immediate preceding quarter**

The Group generated a loss before tax of RM842,076 as compared to a loss before tax of RM858,423 for the immediate preceding quarter ended 31 December 2010. The decrease of loss before tax of 1.90% in the current quarter under review was mainly due to decrease in manufacturing cost in terms of higher volume in sales. Administration, finance and corporate exercise expenses also reduced.

**B3 Prospects**

The Group envisaged a steady growth in the markets mainly in Middle East, India and Bangladesh.

**B4 Variance of Actual Profit from Forecast Profit**

This note is not applicable.

**B5 Taxation**

There is no provision for taxation for the current quarter and financial year to date as the Group has no chargeable income.

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

On 30 December 2010, Harvest Court Marketing Sdn Bhd (HCM), a wholly-owned subsidiary of Harvest Court Industries Berhad (HCIB) had entered into an agreement with Muhibbah Enterprise (Port Klang) Sdn Bhd (Muhibbah) whereby Muhibbah agreed to sell and HCM agreed to purchase the machineries from Muhibbah at the total consideration of RM646,278 and in consideration HCI agreed to transfer 1,200,000 ordinary shares of RM1.00 each in HCM to Muhibbah and this transaction was completed in 11 January 2011. On a group level, there was no profit or loss on the disposal of unquoted shares in HCM.

**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.

As at 31 March 2011, a total of 1,688,000 ordinary shares had been allotted to employees of the Group under the ESOS. Subsequent to the quarter ended 31 March 2011, no ESOS have been exercised.

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**B9 Group Borrowings and Debts Securities**

Group's borrowings as at 31 March 2011 were as follows:

	<b>RM'000</b>
( a ) Secured Borrowings	250
	250
( b ) Short Term Borrowings	250
	250
( c ) All In Local Currencies (RM)	250

**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 2010, 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 Directors are of the opinion that these claims are unlikely to succeed and will not give rise to liabilities that would have material effects on the Group's financial position. No provision has been made in relation to these claims in the financial statements.

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

There were no dividends proposed, recommended or declared for the period ended 31 March 2011.

**B13 Loss Per Share**

(a) Basic

Basic loss per share is calculated by dividing the net loss 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>
Loss attributable to ordinary equity holders of the parent (RM)	(845,452)	(845,452)
Weighted average number of shares	171,922,373	171,922,373
Basic loss per share (sen)	(0.49)	(0.49)

The diluted loss per share is not calculated as the average market price as at 31 March 2010 is lower than the warrant exercise price of RM0.25 each, therefore there will be no dilutive effect.

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

	<b>As at 31 Mar 2011</b>	<b>As at 31 Dec 2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Total accumulated losses of the group		
- Realised	(19,830)	(18,939)
- Unrealised	(30)	(76)
	<u>(19,860)</u>	<u>(19,015)</u>