

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

UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 30 June 2011.

As at 30 June 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 30 June 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 30 June 2011 is as follows:-

	Timber product manufacturing RM'000	Property development RM'000	Investment holding and others RM'000	Adjustment and elimination RM'000	Consolidated RM'000
REVENUE					
External sales	6,089	-	-	-	6,089
Inter-segment sales	244	-	-	(244)	-
Total revenue	<u>6,333</u>	<u>-</u>	<u>-</u>	<u>(244)</u>	<u>6,089</u>
RESULTS					
Segment results	54	12	37	(736)	(633)
Interest income	-	-	-	-	-
Interest expense	(21)	-	-	-	(21)
Loss before taxation	33	12	37	(736)	(654)
Taxation	(29)	12	-	-	(17)
Net loss for the financial year	<u>4</u>	<u>24</u>	<u>37</u>	<u>(736)</u>	<u>(671)</u>
Additions to non-current assets	13,045	-	-	-	13,045
Segment assets	<u>40,387</u>	<u>354</u>	<u>18,060</u>	<u>(17,627)</u>	<u>41,174</u>
NON-CASH EXPENSES/ (INCOME)					
Depreciation of property, plant and equipment	420	-	149	-	569
Gain on disposal of property, plant and equipment	(11)	-	-	-	(11)
Impairment on other receivables	-	-	365	-	365
Unrealised loss on foreign exchange	1	-	-	-	1
Reversal of impairment on investment in subsidiary companies	-	-	(1,287)	1,287	-

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A10 Valuation of Property, Plant and Equipment

The carrying value of Property, Plant and Equipment is based on a valuation carried out on 28 April 2011 by independent qualified valuers less depreciation. The valuation surplus is credited to the re-valuation reserve.

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 and below.

On 19 July 2011, Harvest Court Properties Sdn Bhd, a wholly-owned subsidiary of Harvest Court Industries had entered into a Joint Venture Agreement with the Landowner for the purpose of developing a parcel of freehold agriculture land held under GM 387, Lot 657, Tempat Telok Merbau, Mukim Sepang, Daerah Sepang, Negeri Selangor measuring approximately three acres in area into a housing estate comprising approximately thirty units of double storey houses or such other development as may be approved by the Relevant Authorities by constructing thereon such number and types of residential units and other related infrastructures serving the said Land in accordance with the layout and building plans to be submitted by Harvest Court Properties to the Relevant Authorities.

A12 Changes in Composition of the Group

There have been no changes in the composition of the Group for the financial period ended 30 June 2011.

A13 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.

A14 Capital commitment

There were no capital commitments incurred by the Group to any parties as at 30 June 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 30 June 2011 increased to RM3,332,731 as compared with RM1,388,574 in the similar quarter of the previous financial period ended 30 June 2010. The increase in timber product manufacturing revenue was mainly due to higher sales in terms of volume and value to India and Middle East.

B2 Comparison with immediate preceding quarter

The Group generated a profit before tax of RM188,317 as compared to a loss before tax of RM842,076 for the immediate preceding quarter ended 31 March 2011. The increase of profit before tax in the current quarter under review was mainly due to decrease in manufacturing cost in terms of higher volume in sales. Administration and Selling & Distribution also decreased.

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

The provision for taxation for the current quarter and financial year to date was due to under provision of taxation in previous years.

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 year 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

Save as below, there were no corporate proposals that have been announced but not yet completed during the period under review.

As at 30 June 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 30 June 2011, no ESOS have been exercised.

On 13 July 2011, TA Securities Holdings Berhad announced that the Company proposes to undertake a proposed renounceable rights issue of up to 82,291,281 new ordinary shares of RM0.25 per share together with up to 41,145,641 free detachable warrants in HCIB on the basis of two Rights Share and one Rights Warrants for every six existing HCIB Share held as at an entitlement date to be determined later.

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B9 Group Borrowings and Debts Securities

Group's borrowings as at 30 June 2011 were as follows:

	RM'000
(a) Secured Borrowings	235
	235
(b) Short Term Borrowings	235
	235
(c) All In Local Currencies (RM)	235

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 Shah Alam High Court on 8 July 2011 entered judgement against Harvest Court Industries Bhd in favour of Kilang Papan Galas Setia (Kelantan) Sdn Bhd 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 Learned Judge further ordered costs to be taxed. The Board of Directors of the Company have been advised to lodge an appeal against the said decision.

B12 Dividends - Proposed, Recommended or Declared

There were no dividends proposed, recommended or declared for the period ended 30 June 2011.

B13 Loss Per Share

(a) Basic

Basic profit/(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.

	Current Quarter	Current Year to date
Profit/ (Loss) attributable to ordinary equity holders of the parent (RM)	167,604	(677,848)
Weighted average number of shares	171,922,373	171,922,373
Basic profit/(loss) per share (sen)	0.10	(0.39)

The diluted loss per share is not calculated as the average market price as at 30 June 2011 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

	As at 30 Jun 2011	As at 31 Dec 2010
	RM'000	RM'000
Total accumulated losses of the group		
- Realised	(17,460)	(18,939)
- Unrealised	(2,205)	(76)
	<u>(19,665)</u>	<u>(19,015)</u>