

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

UNAUDITED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year ended 31 December 2011.

On 24 March 2010 a total of 5,879,000 employee share options to subscribe for ordinary shares of RM0.25 each was offered to staff and directors of the Group. On 5 July 2011 an additional amount of RM6,700,000 ordinary shares of RM0.25 each under the employee share option scheme was offered to staff and director of the group. Subsequent to the quarter ended 31 December 2011, a total of 11,309,100 ordinary shares had been allotted to employees of the Group.

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 year ended 31 December 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	11,614	-	-	-	11,614
Inter-segment sales	371	-	-	(371)	-
Total revenue	<u>11,985</u>	<u>-</u>	<u>-</u>	<u>(371)</u>	<u>11,614</u>
RESULTS					
Segment results	(445)	8	(397)	(734)	(1,568)
Interest income	-	-	1	-	1
Interest expense	(6)	-	-	-	(6)
Loss before Taxation	(451)	8	(396)	(734)	(1,573)
Taxation	(29)	12	-	-	(17)
Net loss for the financial year	<u>(480)</u>	<u>20</u>	<u>(396)</u>	<u>(734)</u>	<u>(1,590)</u>
Additions to non-current assets	14,287	-	-	-	14,287
Segment assets	<u>42,281</u>	<u>467</u>	<u>33,624</u>	<u>(32,296)</u>	<u>44,076</u>
NON-CASH EXPENSES/ (INCOME)					
Depreciation of property, plant and equipment	902	-	401	-	1,303
Gain on disposal of property, plant and equipment	(118)	-	-	-	(118)
Impairment on other receivables	-	-	365	-	365
Unrealised gain on foreign exchange	(26)	-	-	-	(26)
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.

A12 Changes in Composition of the Group

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

A15 Significant Related Party Transactions

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

	Current Quarter 31 Dec 2011	Comparative Quarter 31 Dec 2010	Financial Year ended 31 Dec 2011	Comparative Financial Year ended 31 Dec 2010
	RM	RM	RM	RM
A related company in which a Director and major shareholder has interest				
Sales of Door Leaves	13,273	-	13,273	-

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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 December 2011 increased to RM2,885,118 as compared with RM1,746,147 in the similar quarter of the previous financial period ended 31 December 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 loss before tax of RM637,095 as compared to a loss before tax of RM281,725 for the immediate preceding quarter ended 30 September 2011. The increase of loss before tax in the current quarter under review was mainly due to increase in Cost of Sales, Administrative expenses, Selling and distribution expenses and Finance cost.

B3 Prospects

The Group envisaged a steady growth in the timber door markets mainly in Iraq and India. The Group also recently embarked on to the construction industry through its wholly-owned subsidiary, Harvest Court Development Sdn Bhd. We expect the Group to return to profitability in the first quarter of the year.

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.

On 24 March 2010 a total of 5,879,000 employee share options to subscribe for ordinary shares of RM0.25 each was offered to staff and directors of the Group. On 5 July 2011 an additional amount of RM6,700,000 ordinary shares of RM0.25 each under the employee share option scheme was offered to staff and director of the group. Subsequent to the quarter ended 31 December 2011, a total of 11,309,100 ordinary shares had been allotted to employees of the Group.

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 31 Dec 2011 were as follows:

	RM'000
(a) Secured Borrowings	205
	205
(b) Short Term Borrowings	205
	205
(c) All In Local Currencies (RM)	205

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 Company had resisted the claim on th 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 Learned Judge further ordered costs to be taxed.

The Company has been advised to lodge an appeal against the said decision which was done on 27 July 2011. The Company has been advised that there are merits in the appeal.

B12 Dividends - Proposed, Recommended or Declared

There were no dividends proposed, recommended or declared for the period ended 31 December 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)	(629,226)	(1,586,420)
Weighted average number of shares	177,580,302	173,348,481
Basic profit/(loss) per share (sen)	(0.35)	(0.92)

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(b) Diluted

Diluted profit/(loss) per share is calculated by dividing the net loss 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)	(629,226)	(1,586,420)
Weighted average number of shares	177,580,302	173,348,481
Effects of dilution		
- Employee Share Options	1,495,900	1,495,900
- Warrants	70,760,472	70,760,472
Adjusted weighted average number of ordinary shares in issue and issuable	249,836,674	245,604,853
Diluted profit/(loss) per share (sen)	(0.25)	(0.65)

B14 Disclosure of realised and unrealised profits/losses

	As at 31 Dec 2011	As at 31 Dec 2010
	RM'000	RM'000
Total accumulated losses of the group		
- Realised	(18,087)	(18,939)
- Unrealised	(2,318)	(76)
	<u>(20,405)</u>	<u>(19,015)</u>

B15 Profit for the Financial Year

	Current Quarter ended		Financial Year ended	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	RM	RM	RM	RM
Profit for the period is arrived at after crediting / (charging):				
Interest Income	1,180	-	1,180	55,096
Other Income	70,660	13,940	210,582	45,126
Foreign Exchange Gain / (Loss)	57,246	(667)	52,147	(80,057)
Gain on disposal of PPE	95,000		118,122	9,419
Interest Expense	(4,596)	(2,566)	(6,248)	(5,091)
Depreciation	(374,167)	(241,653)	(1,303,440)	(903,908)
Bad debts written-off	(64,451)	-	(64,451)	-
Impairment on other receivables	-	-	(365,000)	-