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

UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2006

EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of Preparation

The interim financial statements have been prepared under the historical cost convention.

This set of interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standards 134: Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2005.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 2, 5, 102, 108, 110, 116, 121, 127, 128,131, 132, 133,138 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM155,566 with a corresponding decrease in goodwill. The carrying amount of goodwill as at 1 January 2006 of RM388,612 ceased to be amortised. This has the effect of reducing the amortisation charges by RM5,442 in the current quarter and the financial period ended 31 March 2006.

A2 Changes in Accounting Policies (Cont'd)

(b) FRS 101: Presentation of Financial Statements (Cont'd)

The adoption of the revised FRS 101 has affected the presentation of minority interest. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

A3 Audit Qualifications

The auditors' report on the financial statements for the year ended 31 December 2005 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 due to their nature, size or incidence for the financial period ended 31 March 2006.

A6 Material Changes in Estimates

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

A7 Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayments of debt or equity securities for the financial period ended 31 March 2006.

A8 Dividend Paid

There were no dividends paid for the current quarter.

A9 Segment Revenue and Results

The segment analysis for the Group for the period ended 31 March 2006 is as follows:-

	Segment Revenue RM'000	Segment results RM'000
Timber Product Manufacturing	7,231	754
Property Development/Construction	74	(181)
Investment Holding	33	237
	7,338	810
Consolidation adjustment	(1,570)	(210)
	5,768	600

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 Period

There were no material events subsequent to the end of the current quarter except for the following:

On 5 May 2006, pursuant to Paragraph 8.14C(2) and Practice Note No. 17/2005 ("PN17") of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"), HCIB is considered an "affected listed issuer" in accordance to paragraph 2.1(a) as its shareholders' equity on a consolidated basis is less than 25% of the Company's issued and paid-up share capital and such shareholders' equity is less than the minimum issued and paid-up capital as required under paragraph 8.16A(1) of the Listing Requirements.

HCIB had on 27 April 2005 appointed Hwang-DBS to advise the Company on a corporate exercise to restructure the Company. The corporate exercise may involve, inter-alia, the following proposals:

(i) Capital reduction;
(ii) Capital raising;
(iii) Debt restructuring and settlement; and
(iv) Acquisition of suitable assets/businesses which are currently being identified.

The abovementioned proposals are preliminary and will be finalised upon the completion of a financial and viability assessment and receipt of feedback after discussions with the Company's lenders and major creditors.

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 2006.

A13 Changes in Contingent liabilities/Contingent assets

As at 31 March 2006, the Company (“HCIB”) had issued guarantees amounting to RM600,000 to third parties in respect of goods sold/services rendered to its subsidiary companies.

A14 Capital commitment

	RM
Approved and contracted for:-	
- Buildings	800,000

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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 financial period ended 31 March 2006 decreased to RM5,767,966 from RM8,375,756 in the prior financial period ended 31 March 2005 while the Group generated profit before tax of RM203,886 as compared to loss before tax of RM875,265 for the respective periods. This was mainly due to delayed in development project, improved productivity and cost saving exercise.

B2 Quarterly analysis

The Group's profit before taxation for the quarter under review was RM 203,886 compared with a loss before tax of RM 1,368,076 in the preceding quarter. This was mainly due to improved productivity and cost saving exercise.

B3 Prospects

The Group expects the year 2006 to be challenging for both its timber and property business sectors.

However, the companies in the Group have implemented various strategies and measures that will position the Group to improve its market share and profitability. Barring unforeseen circumstances, the performance of the companies in the Group for the year 2006 is to improve.

B4 Variance of Actual Profit from Forecast Profit/ Profit Guarantee

This note is not applicable.

B5 Taxation

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

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

There were no disposals of unquoted investments or properties for the current quarter and financial period to date.

B7 Purchase or Disposal of Quoted Securities

(a) There were no purchase and disposal of quoted securities for the current quarter and financial period to date.
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(b) There were no investments in quoted securities as at the end of the financial period.

B8 Status of Corporate Proposals & Utilisation of Proceeds

(a) The Group has formulated a corporate proposal in compliance to meet the minimum capital requirements as required by Paragraph 8.16A of the Bursa Securities Listing Requirements. On 9 August 2005, the Group has submitted the Proposed Corporate Exercise to the relevant authorities, namely Securities Commission ("SC"), Foreign Investment Committee and Ministry of International Trade and Industry, for approvals. The Proposed Corporate Exercise includes the following proposals:

(i) Proposed Lands Acquisition;
(ii) Proposed Machineries Acquisition;
(iii) Proposed Debt Settlement;
(iv) Proposed Private Placement;
(v) Proposed Special Issue; and
(vi) Proposed Listing and Quotation.

Upon successful implementation of the Proposed Corporate Exercise, the Company's issued and paid-up share capital is expected to increase from RM22,669,900 comprising 22,669,900 ordinary shares of RM1.00 each ("HCIB Shares") to RM53,329,900 comprising 53,329,900 HCIB Shares immediately upon completion of the Proposed Corporate Exercise.

On 17 November 2005, SC has rejected the application for the Proposed Corporate Exercise on the ground that the Proposed Corporate Exercise did not comply with the requirements under paragraph 13.02 of the SC's Policies and Guidelines on Issue/Offer of Securities, that states, among others, that proposals submitted by distressed-listed companies have to be comprehensive and capable to resolve all financial problems of the companies.

In light of the above decision by the SC on the Proposed Corporate Exercise, the Board of Directors of the Group had appealed against the SC's decision on the Proposed Corporate Exercise on 16 December 2005.

However, the appeal was rejected by the SC on 22 February 2006.

HCIB had on 27 April 2005 appointed Hwang-DBS to advise the Company on a corporate exercise to restructure the Company. The corporate exercise may involve, inter-alia, the following proposals:

(i) Capital reduction;
(ii) Capital raising;
(iii) Debt restructuring and settlement; and
(iv) Acquisition of suitable assets/businesses which are currently being identified.

The abovementioned proposals are preliminary and will be finalised upon the completion of a financial and viability assessment and receipt of feedback after discussions with the Company's lenders and major creditors.

(b) There was no utilisation of proceeds for the Group for the current quarter and financial period to date.

B9 Group Borrowings and Debts Securities

Group's borrowings as at 31 December 2005 are as follows:

		RM'000
(a)	Secured Borrowings	37,441
	Unsecured Borrowings	4,759
		42,200
(b)	Long Term Borrowings	481
	Short Term Borrowings	41,719
		42,200
(c)	All In Local Currencies (RM)	39,866
	All In Australian Dollars (AUD)	2,334
		42,200

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 2005 except as disclosed below:

A suit was filed by a subsidiary company, Harvest Court Marketing Sdn. Bhd. ("HCMKT") against KLSB Construction Sdn. Bhd. ("KLSB") for a sum of RM257,000 as at 30 September 2004 being payment for goods sold and delivered to KLSB for a joint venture project between Dewan Bandaraya Kuala Lumpur and Asie Sdn. Bhd. for Messrs Kejuruteraan Bintai Kindenko Sdn. Bhd.. KLSB filed a counter claim alleging that the said goods were not in accordance with the specifications and claiming for a sum of RM2,727,305 as general damages together with interest and costs. HCMKT's application for summary judgment was fixed for hearing on 23 August 2005 **and subsequently on 9 January 2006.**

A summary judgement application was obtained on KLSB on1st March 2006.

The defendant was granted a stay for the order. HCMKT had applied to strike off the defendant's counter-claim and pending for approval.

The Directors of HCIB are of the opinion that the said sum is recoverable.

B12 Dividends - Proposed, Recommended or Declared

There were no dividends proposed, recommended or declared for the financial period ended 31 March 2006.

B13 Earnings Per Share

(a) Basic

Basic earnings 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 period to date**
Net profit for the period (RM)	203,886	203,886
Weighted average number of shares	22,669,900	22,669,900
Earnings per share (sen)	0.90	0.90

(b) Diluted

The Group does not have any dilutive potential ordinary shares and accordingly dilution of earnings per share is not applicable.