HARVEST COURT INDUSTRIES BERHAD
(36998-T)

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ANNUAL REPORT 2009

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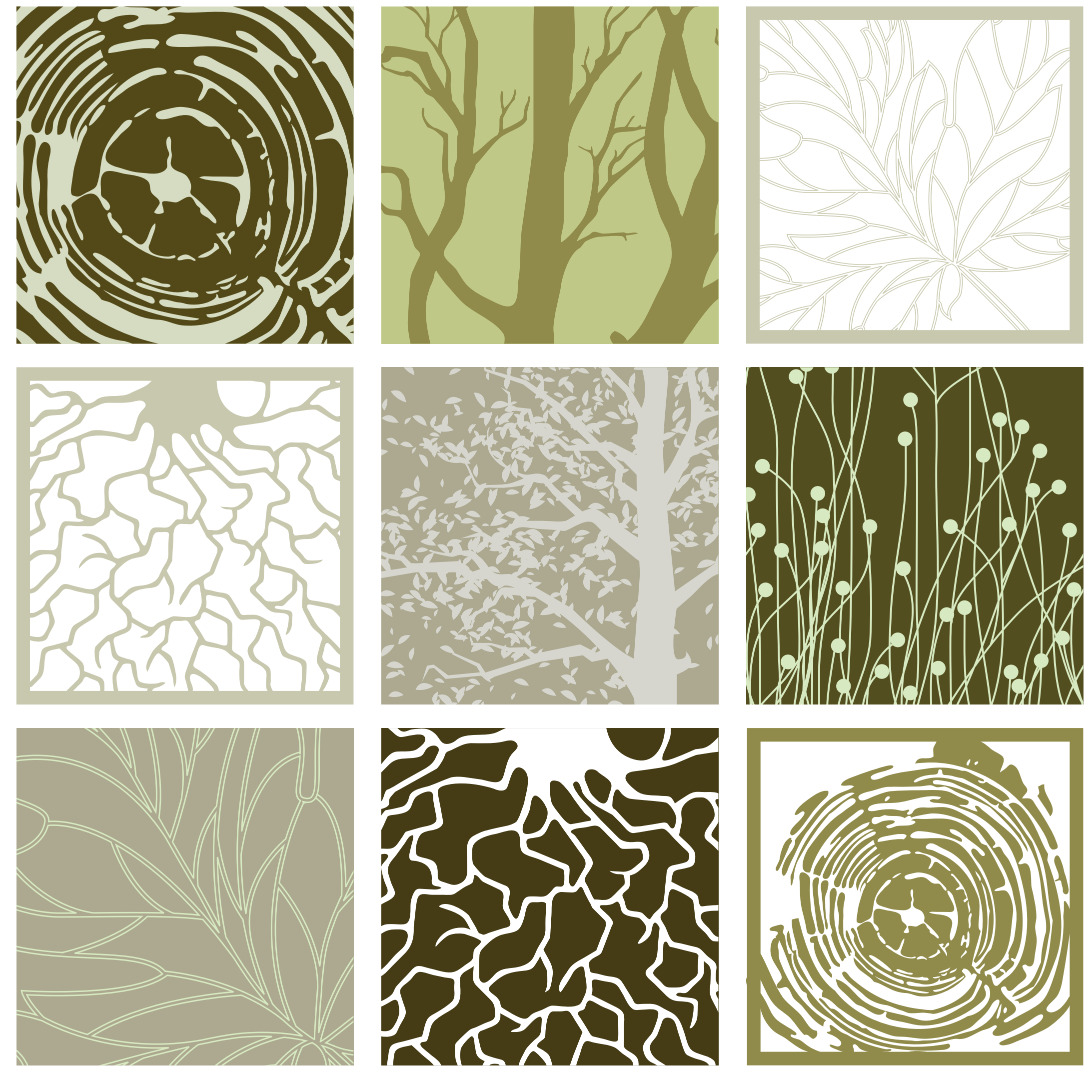
(36998-T)



annual report **2009**

contents

Corporate Information

BOARD OF DIRECTORS

Chairman/Managing Director

Ng Swee Kiat

Independent Non-Executive Directors

Sukhinderjit Singh Muker
Zainuri Bin Zainal
Chua Eng Chin
Dato' Mohamed Amir Abas Bin Zainal Azim

AUDIT COMMITTEE

Chairman

Chua Eng Chin

Members

Zainuri Bin Zainal
Dato' Mohamed Amir Abas Bin Zainal Azim

REMUNERATION COMMITTEE

Chairman

Sukhinderjit Singh Muker

Members

Ng Swee Kiat
Chua Eng Chin

NOMINATION COMMITTEE

Chairman

Sukhinderjit Singh Muker

Members

Zainuri Bin Zainal
Chua Eng Chin

COMPANY SECRETARIES

Tan Tong Lang *(MAICSA 7045482)*
Chong Voon Wah *(MAICSA 7055003)*

REGISTERED OFFICE

Lot 450, Jalan Papan,
Pandamaran Industrial Area,
42000 Port Klang,
Selangor Darul Ehsan.

Tel No. : (603) 31652218
Fax No. : (603) 31681336

SHARE REGISTRAR

MEGA CORPORATE SERVICES SDN. BHD. (187984-H)
Level 15-2, Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur.

Tel No. : (603) 26924271
Fax No. : (603) 27325388

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
Malayan Banking Berhad
CIMB Bank Berhad

AUDITORS

SJ Grant Thornton *(AF 0737)*
(Member of Grant Thornton International)
Chartered Accountants

SOLICITORS

Lovelace & Hastings
Law Practice of Rafique
Bazzani Scully Brand

STOCK EXCHANGE LISTING

Main Market of Bursa Securities
Bursa Securities refers to Bursa Malaysia
Securities Berhad

STOCK CODE : 9342

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Second Annual General Meeting of the Company will be held at the Lot 450 Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan on Monday, 28 June 2010 at 11.00 a.m. to transact the following businesses:-

1. To receive the audited financial statements for the year ended 31st December 2009 together with the Directors' and Auditors' Reports thereon.

2. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:-

   - En. Zainuri Bin Zainal (Article 97) ***Resolution 1***
   - Dato' Mohamed Amir Abas Bin Zainal Azim (Article 103) ***Resolution 2***

3. To appoint Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. ***Resolution 3***

   Notice of Nomination from a shareholder pursuant to Section 172(11) of the Companies Act, 1965, has been received by the Company for the nomination of Messrs. UHY (formerly known as Messrs. UHY Diong)(a copy of which is annexed hereto and marked as "Annexure I"), who have given their consent to act, for the appointment as Auditors and of intention to propose the following Ordinary Resolution: -

   "THAT Messrs. UHY (formerly known as Messrs. UHY Diong) be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs SJ Grant Thornton, and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to determine their remuneration"

   SPECIAL BUSINESSES :-
   To consider and, if thought fit, to pass the following Resolution:-

4. **As Ordinary Resolution**
   AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT subject to the Companies Act, 1965, and the approval of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares of the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution shall not exceed 10% of the issued capital of the Company for the time being excluding the number of ordinary shares arising from the exercise of Employees' Share Option Scheme (ESOS), and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company; and FURTHER THAT the Directors be and are hereby empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Securities" ***Resolution 4***

Notice of Annual General Meeting
cont'd

By order of the Board,

TAN TONG LANG *(MAICSA 7045482)*
CHONG VOON WAH *(MAICSA 7055003)*
COMPANY SECRETARIES

Port Klang,
Selangor Darul Ehsan
7 June 2010

Notes

A. *This Agenda item is meant for discussion only as Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association provide that the audited financial statements are to be laid in the general meeting. Hence, it is not put forward for voting.*

1. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Act shall not apply to the Company.*

2. *Where a member appoints more than one proxy to attend the same meeting, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*

3. *Where a member is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorized.*

5. *The Form of Proxy must be deposited at the Registered Office of the Company at Lot 450, Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

6. ***Explanatory Notes To Special Businesses***

   Resolution Pursuant to Section 132D of the Companies Act, 1965
   The Ordinary Resolution no. 4 is a renewal of the mandate given to the Company by the shareholders at the previous Annual General Meeting held on 26 June 2009, if duly passed, will give the Directors of the Company the flexibility to issue and allot new shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

   The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the issued capital.

   In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes. The renewed authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/ or acquisitions.

   The Company has undertaken a private placement exercise and engaged TA Securities Holdings Berhad for the exercise. The aforesaid announcement was released on 15 December 2009. Up to 16,169,125 new ordinary shares @ RM0.25 each in the Company will be issued via private placement pursuant to the mandate granted to the Company at the Thirty First Annual General Meeting held on 26 June 2009 which will be lapse by 28 June 2010.

   As at to date, only 4,393,126 new ordinary shares of RM0.25 each were issued on 11 May 2010 via private placement. The Board of Directors is currently identifying suitable placees to subscribe for the remaining new shares to be issued under the private placement exercise. The proceeds amounting to RM1,098,281.50 arising from the issuance of 4,393,126 new shares is mainly for working capital and capital expenditure requirements of the Group.

Directors' Profiles

NG SWEE KIAT
Chairman/Managing Director

Mr. Ng, a Malaysian, aged 55, obtained a degree in Bachelor of Civil Engineering from Monash University, Australia in 1978. Mr. Ng has been involved in the timber trade and has held senior management positions for more than 29 years. Mr. Ng has planned and charted the expansion programme of the Group, transforming it from a mere sawn timber exporter into a diversified and fully integrated timber product manufacturer.

Mr. Ng was appointed to the Board of Harvest Court Industries Berhad ("HCIB") on 4 July 1980 and subsequently, to the Managing Director of the Group since 1997. On 26 April 2003, Mr. Ng was appointed Chairman of the Group. Presently he is a member of the Remuneration Committee of HCIB.

Mr. Ng does not hold directorships in any other public companies.

Mr. Ng attended all five Board meetings of HCIB held during the financial year ended 31 December 2009.

Mr. Ng holds 8,246,294 shares in HCIB and he also has an indirect interest of 21,511,986 shares in HCIB by virtue of his interest in Port Klang Jetty Sdn. Bhd, the shareholder of HCIB and his spouse's shareholding in HCIB.

SUKHINDERJIT SINGH MUKER
Independent/Non-Executive Director

Mr. Muker, a Malaysian, aged 63, was appointed to the Board of HCIB on 18 July 1994. Mr. Muker obtained a degree of Bachelor of Laws (Hons) from the University of London, England in 1972 and was conferred the degree of an Utter Barrister by the Honourable Society of Grays Inn, England in 1973. He has been in active practice with the firm of Messrs Lovelace & Hastings since he was called to the Malaysian Bar in 1974.

Mr. Muker is a Director of Southern Acids (M) Berhad, Pahanco Corporation Berhad (both listed on the Bursa Securities), Bell Foundation Berhad and Kwok Hock Chin Foundation Berhad.

Mr. Muker is presently the Chairman of the Remuneration Committee and Nomination Committee and Member of Audit Committee of HCIB.

Mr. Muker attended four out of five Board meetings of HCIB held during the financial year ended 31 December 2009.

Mr. Muker holds 31,176 shares in HCIB. Mr. Muker has no family relationship with other directors or major shareholders of HCIB.

Directors' Profiles
cont'd

ZAINURI BIN ZAINAL
Independent/Non-Executive Director

En. Zainuri, a Malaysian, aged 37. He obtained a private pilot License with Instructor Rating (Aviation Career Academy, Lakeland Florida).

En. Zainuri was appointed to the Board of HCIB as an Independent Non-Executive Director on 27 December 2006.

En. Zainuri was a Majlis Perbandaran Klang Councillor till March 2008.

En. Zainuri is presently a Member of Audit Committee and Nomination Committee of HCIB.

En. Zainuri does not hold directorships in any other public companies.

En. Zainuri has attended four out of five Board meetings of HCIB during the financial year ended 31 December 2009.

En. Zainuri does not hold any shares in HCIB and its subsidiaries. He has no conflict of interest with HCIB.

CHUA ENG CHIN
Independent/Non-Executive Director

Mr. Chua Eng Chin, a Malaysian, aged 51. He was appointed as an Independent Non-Executive Director of HCIB on 23 April 2008. He is a Fellow of The Association of Chartered Certified Accountants (ACCA) and also a member of Malaysian Institute of Accountants (MIA).

After qualified as Chartered Accountant in 1984, he started his career in an accounting firm where he specializes in auditing and consultancy works. He had served in the internal audit department of Public Companies such as the Lion Group and the Berjaya Group. He also served as Senior Accountant in Berjaya Textiles Berhad and Senior Manager in Malpac Holdings Berhad.

Mr. Chua is currently a Commissioned Dealer Representative with PM Securities Sdn. Bhd. and an Independent Non-Executive Director in Minply Holdings (M) Bhd.

Mr. Chua is presently the Chairman of the Audit Committee and Member of Remuneration Committee and Nomination Committee of HCIB.

Mr. Chua has attended all five Board meetings of HCIB during the financial year ended 31 December 2009.

Mr. Chua does not hold any shares in HCIB and its subsidiaries. Mr. Chua has no family relationship with the other directors or major shareholders of HCIB. He has no conflict of interest with HCIB.

DATO' MOHAMED AMIR ABAS BIN ZAINAL AZIM
Independent/Non-Executive Director

Dato' Mohamed Amir Abas Bin Zainal Azim, a Malaysian, aged 60. He was appointed appointed as an Independent Non-Executive Director of HCIB on 1 July 2009. He is a coporate Member of the British of Management (MBIM) and also a Fellow of the Institute of Directors (F. Inst. D.)

He was an accountant with Esso Malaysia Bhd. Following which, he gained further business and corporate experiences in senior management positions in corporations such as Perbadanan Nasional Bhd., Ayer Hitam Tin Dredging (M) Bhd., Olympia Industries Bhd., and Proton Edar Sdn. Bhd. Currently he is on his own business and is a Director of few private companies.

Dato' Mohamed is presently a member of the Audit Committee of HCIB.

Dato' Mohamed has attended all the two Board meetings of HCIB during the financial year ended 31 December 2009.

Dato' Mohamed does not hold any shares in HCIB and its subsidiaries. He has no family relationship with the other directors or major shareholders of HCIB. He has no conflict of interest with HCIB.

All the Board members have no conflict of interest with HCIB and have no conviction for offences within the past ten years saves for ordinary traffic offences (if any).

Chairman's Statement

On behalf of the Board of Directors of Harvest Court Industries Berhad, it is my pleasure to present the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2009.

1. FINANCIAL PERFORMANCE

For the financial year ended 31 December 2009, the Group recorded a turnover of RM9,232,835, 30.49% higher than that of the previous financial year. The higher turnover was mainly due to higher value of sales to Dubai and India.

2. STATUS OF CORPORATE PROPOSALS

During the fourth quarter of 2009, the Company completed its Restructuring Scheme. The Restructuring Scheme together with the Rights Issue with Warrants comprises the following exercises, which are inter-conditional:

(i) Capital Reconstruction

The Capital Reconstruction comprising:

a. share capital reduction pursuant to Section 64(1)(b) of the Act involving the reduction of the par value of each existing ordinary share of HCIB from RM1.00 to RM0.25 via the cancellation of RM0.75 of the par value and the utilization of the credit arising therefrom to set-off the accumulated losses of HCIB; and

b. reduction of the share premium account of HCIB of RM873,000 pursuant to Section 64(1) and 60(2) of the Act and the utilization of the credit arising therefrom to set-off the accumulated losses of HCIB.

The Share Capital Reduction and Share Premium Reduction were effected on 9 October 2009 upon the lodging of the High Court Order dated 25 August 2008 with the Registrar of Companies. On 9 October 2009, PM Securities on behalf of the Company, announced that the existing ordinary shares of HCIB were traded on Bursa Securities with a reduced par value of RM0.25 per ordinary shares of HCIB on 23 October 2009.

(ii) Amendments

Increase in authorized share capital from RM25,000,000 comprising 25,000,000 HCIB Shares to RM100,000,000 comprising 400,000,000 New HCIB Shares in connection with the Restructuring Scheme and consequential amendments to the Company's Memorandum of Association. The Amendments were completed on 9 October 2009 upon the lodging of the prescribed forms with the Registrar of Companies.

(iii) Exemption

Exemption from the obligation to undertake a take-over offer for the remaining Ordinary shares of RM0.25 each in HCIB not already owned by Ng Swee Kiat and Parties Acting in Concert with him under Practice Note 2.9.1 of the Malaysian Code on Take-Overs and Mergers, 1998. Approval from the non-interested shareholders for the Exemption was obtained on 19 December 2007 and the approval of the SC was Obtained on 24 December 2007.

(iv) Land Acquisition

On 17 January 2007, the Company entered into the Land Acquisition SPA to acquire the following leasehold industrial land:

a. HS(D) 68859, PT No. 452, Mukim and District of Klang, State of Selangor Darul Ehsan from Ng Chuan Seng@ Ng Teck Huat (NCS) for a purchase consideration of RM1,700,000. The NCS Land measures 3.00 acres and has a lease term expiring on 13 January 2030;

b. HS(D) 15172, PT No. 450 and HS(D) 21781, PT No. 451, Mukim and District of Klang, State of Selangor Darul Ehsan from Port Klang Jetty Sdn Bhd (PKJSB) for a total purchase consideration of RM2,830,000. The PKJSB Land measures 5.00 acres in total and has a lease term expiring on 13 January 2030; and

c. HS(M) 20042, PT No. 10568, Mukim and District of Klang, State of Selangor Darul Ehsan from Wangsa Kinta Sdn Bhd (WKSB) for a purchase consideration of RM840,000. The WKSB Land measures approximately 1.48 acres and has a lease term expiring on 5 August 2050.

2. STATUS OF CORPORATE PROPOSALS *cont'd*

(iv) Land Acquisition *cont'd*

The total purchase consideration were entirely satisfied via the issuance of 21,480,000 New HCIB Shares at an issue price of RM0.25 per New HCIB share together with 5,370,000 Warrants on the basis of one (1) Warrant for every four (4) New HCIB Shares. The number of New HCIB Shares and Warrants to be issued to each of the Land Vendors are as follows:

Land Vendors	No. of New HCIB Shares to be issued	No. of Warrants to be issued
NCS	6,800,000	1,700,000
PKJSB	11,320,000	2,830,000
WKSB	3,360,000	840,000
	21,480,000	**5,370,000**

The above shares and warrants were issued on the 26 November 2009.

(v) Debt Settlement Scheme

Settlement of debts owing to the Bank Lenders and statutory creditors of the HCIB Group amounting to RM46,334,085 and RM1,684,878 respectively as at 31 December 2008.

The outstanding debts owing to the Bank Lenders were settled based on the following:

	RM
Proceeds from the Rights Issue with Warrants	1,351,684
Issuance of New HCIB Shares with Warrants	17,383,625
Proceeds from the Disposal of Linggi Land	8,700,000
Debts to be waived by Bank Lenders	18,898,776
Total	**46,334,085**

(vi) Rights Issue

Renounceable Rights Issue of 48,006,847 New Ordinary Shares of RM0.25 each in HCIB ("Rights Shares") together with 48,006,847 free warrants ("Warrants") on the basis of thirty six (36) Rights Shares with thirty six (36) free warrants for every seventeen (17) HCIB Shares held at 5.00 p.m. on 26 October 2009 after the Capital Reconstruction at an issue price of RM0.25 per Rights Share (Rights Issue with Warrants")

At the close of acceptance and payment of Rights Issue with warrants at 5.00 p.m. on 13 November 2009, the total acceptances and excess applications received for the Rights Issue with Warrants were 56,872,336 Rights Shares with Warrants. This represents an excess application of approximately 18.47% over the 48,006,847 Rights shares with Warrants available for subscription under the Rights Issue with Warrants.

On behalf of the Board of Directors of HCIB, PM Securities Sdn Bhd has written to Bursa Malaysia Securities Berhad on the 1 December 2009 to announce that the Restructuring Scheme has been completed on the even date. Bursa Malaysia Securities Berhad has via its letter dated 2 December 2009 informed that the upliftment of the Company from PN17 status was effective on 3 December 2009.

3. INDUSTRY TREND AND DEVELOPMENT

Malaysian timber and timber product exports for 2009 dropped to RM19.4 billion compared with RM22.79 billion in 2008, as demand was affected by global economic slowdown. The export of Malaysian timber and timber products is expected to record a better performance this year by an increase of 5% to 10% from RM19.4 billion last year, supported by better business landscape following the recovery in the global economy.

Chairman's Statement
cont'd

3. INDUSTRY TREND AND DEVELOPMENT *cont'd*

The Middle East and India provide plenty of opportunities besides the traditional markets like Europe, the United States and Japan. The Malaysian Timber Council (MTC) had promoted local companies and their Malaysian timber wood at the "Dubai Woodshow 2010", the Middle East's wood-focused exhibition to bolster the demand for Malaysian wood products in the UAE as well as across the GCC.

A recent study by the Food and Agriculture Organisation noted that planted forests had become increasingly critical to future wood supplies. Fast growing species like acacia in Sarawak's 250,000ha of planted forest may help boost the wood based industries.

However, to enhance the continued dynamism of the industry, the present structure of the Malaysia timber industry need to adopt state-of-the art technologies and invest in R&D to reduce reliance on foreign contract workers. Following the National Timber Industry Policy (NATIP) strictly, Malaysia timber industry shall be able to maintain and enhance its competitive edge in global marketplace.

(www.globalwood.org/news/news.asp and MTIB)

4. OPERATIONAL OVERVIEW

In 2009 the Group's timber division remains the major contributor to the Group's performance and is expected to continue to do so in 2010.

5. PROSPECTS

The Group is expected to register higher profitability in the near future after the completion of the PCDRS in December 2009. We have secured firm contracts with customers in Dubai and India. The business plan is to focus on the core timber business and continuous effort on quality and service enhancements, improve efficiency in its processes and effectiveness in cost containment measures with the view to improve the overall structure and profit margin.

6. CORPORATE SOCIAL RESPONSIBILITY

The Group acknowledges its corporate social responsibility in the social environment it operates. In addition to improving workplace environment, committed to staff training and recycling of wood based products, the Group has undertaken to sponsor the full rental of a premises for Drug Rehabilitation and Industrial Training Centre with effective from 2010.

7. APPRECIATION

On behalf of the Board of Directors, I wish to express my appreciation to the management and staff of the Group for their dedication and commitment in discharging their duties. I would like to thank all the Directors for their counsel and support during the year.

To our shareholders, valued customers, bankers, business associates, suppliers and government agencies, I express my sincere appreciation for their confidence and continuous support to the Group.

In God we trust.

NG SWEE KIAT
Chairman/Managing Director

Date: 7 June 2010
Port Klang, Selangor Darul Ehsan

Corporate Governance Statement

COMPANY'S CORPORATE GOVERNANCE INITIATIVE

The Group is committed to good corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in parts 1 and 2 respectively of the Malaysian Code of Corporate Governance ("the Code"). This aims to ensure the Board's effectiveness in protecting and enhancing the shareholders' value of the Group. The Board is pleased to provide the following statement which outlines the main corporate governance practices that were in place throughout the financial year.

A. DIRECTORS

1. Board Balance

The Board assumes responsibility for effective stewardship and control of the Group and its members have established terms of reference to assist in the discharge of their responsibilities.

The Board comprises five directors, one executive director and four independent non-executive directors. The Company is in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") whereby more than 1/3 of its Board members are independent directors. The profile of each Director is presented separately in the Annual Report.

2. Supply of information

Prior to the Board meetings, the Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. The deliberations of the Board in terms of the issues discussed during the meetings and Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

To fulfill the responsibilities as set out above, all Directors have direct access to the advice and services of the Company Secretary as well as to independent professional advice, including the internal and external auditors. The Company Secretary attends to most of the Board meetings.

Where applicable, the Board will establish a formal schedule of matters to clearly detail out matters that require the Board's deliberation and approvals.

3. Board Meetings

There were five (5) Board of Directors' Meetings held during the financial year ended 31 December 2009. Details of the attendance of the Directors at the Board of Directors' Meetings are as follows:

Name of Director	Attendance
(a) Mr. Ng Swee Kiat	5/5
(b) Mr. Sukhinderjit Singh Muker	4/5
(c) Mr. Zainuri Bin Zainal	4/5
(e) Mr. Chua Eng Chin	5/5
(f) Dato' Mohamed Amir Abas Bin Zainal Azim *(appointed on 1.7.2009)*	2/2

A. DIRECTORS *cont'd*

4. Appointment to the Board

As recommended by the Code, the Nomination Committee was established on 5 December 2001, comprising exclusively of Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis. The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. The Nomination Committee is aware of their duties and responsibilities. As a whole, the Company maintains a very lean number of Board members.

The Nomination Committee met once during the financial year ended 31 December 2009. They reviewed the balance composition of Board. The Committee was satisfied with the balance skills and expertise of the Board members. An assessment and evaluation of effectiveness of the board as a whole, the committees of the board and contribution of each director has been carried out in February 2010 and all the Board members were rewarded by way of Employees Share Option Scheme.

The nomination Committee comprises the following:-

Chairman
Mr. Sukhinderjit Singh Muker - *Independent Non-Executive Director*

Members
Encik Zainuri Bin Zainal - *Independent Non-Executive Director*
Mr. Chua Eng Chin - *Independent Non-Executive Director*

5. Directors' Training

All the Directors of the Company have attended the Mandatory Accreditation Programme conducted by Bursatra Sdn. Bhd. within the stipulated timeframe required in the Listing Requirements.

The Board of Directors is aware of the importance of attending the continuous training programmes from time to time to equip themselves with the knowledge to discharge their duties more effectively and will decide for the appropriate courses for the board members as and when the needs arise.

The following Board members have attended several relevant courses/ seminars during the financial year as detailed below:-

Name of Director	Date	Courses attended
Ng Swee Kiat	17 July 2009	MTC Seminar on US Timber Market by Malaysian Timber Council
	11 August 2009	MTC Debriefing on Business Visit to Italy & France
	13 August 2009	Selangor Investment Seminar 2009 by SSIC Bhd
	12 November 2009	3rd Kuala Lumpur International Trade Forum by Matrade
Chua Eng Chin	25 July 2009	Corporate Strategic Analytics 1: Essentials of Corporate Proposal Analysis
	26 July 2009	Corporate Governance and Ethics: Strengthening Professionalism through Ethics
Zainuri Bin Zainal	17 July 2009	MTC Seminar on US Timber Market by Malaysian Timber Council
	13 August 2009	Selangor Investment Seminar
Dato' Mohamed Amir Abas Bin Zainal Azim	18 & 19 August 2009	Mandatory Accreditation Programme for Directors of Public Listed Companies

A. DIRECTORS *cont'd*

5. Directors' Training *cont'd*

Mr. Sukhinderjit Singh Muker did not attend any training during the financial year due to his tight working schedule. However, he will undergo relevant training in 2010 to keep abreast with new regulatory developments and requirements in compliance with the Listing Requirements.

6. Re-election

The procedure on re-election of directors by rotation is set out in the Articles No. 97 and 103 of the Company's Articles of Association ("the Articles"). Pursuant to the Articles, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. The Articles also provide at least one third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring directors can offer themselves for re-election. The Listing Requirements provide that each Director must retire from office at least once in every three years but shall be eligible for re-election. Directors over seventy (70) years of age are subject for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. The details of the retiring Directors are set out in the Directors' Profile in the Annual Report.

At the forthcoming Annual Genaral Meeting, En. Zainuri Bin Zainal will retire by rotation pursuant to Articles 97 and Dato' Mohamed Amir Abas Bin Zainal Azim will retire in accordance with Articles 103. Both the Directors being eligible, offer themselves for re-election.

B. DIRECTORS' REMUNERATION

1. Procedures

The fees of Directors including non-executive directors if any, have to be endorsed by the Board and approved for by the shareholders of the Company at the Annual General Meeting. The non-executive directors' compensations are linked to their experience and level of responsibility taken.

In order to save cost, all Directors waived the Directors fees for the financial year 2009.

2. Disclosure

The aggregate remuneration of Directors for the financial year ended 31 December 2009 is as follow:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Salary	48,000	-
Others	-	12,500
Directors' fee	-	1,500
Total	**48,000**	**14,000**

The number of Directors whose remuneration fall into the following bands is as follows:-

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	1	4
50,001 – 100,000	-	-
100,000 – 150,000	-	-

B. DIRECTORS' REMUNERATION *cont'd*

3. Remuneration Committee

The Remuneration Committee is responsible to assist the Board to discharge its duty in remunerating each individual director. The members of Remuneration Committee are as follows:-

Chairman
Sukhinderjit Singh Muker - *Independent Non-Executive Director*

Members
Ng Swee Kiat - *Managing Director*
Chua Eng Chin - *Independent Non-Executive Director*

C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS

The Group values regular communication with its shareholders and investors.

The Company reaches out to its shareholders through the issuance of Annual Reports, Explanatory Circulars and updates on the Company are provided through the quarterly reports and various announcements made throughout the year. Shareholders and investors can also obtain general information of the Company through its website.

Currently, the General Meetings are the principal forum for dialogues with the shareholders and investors. At each General Meeting, the Board presents the progress and performance of the Group and/or Corporate Proposals of the Company and shareholders are encouraged to participate in the question and answer sessions. Informal discussion between the Directors, senior management staff and the shareholders and investors are always active before and after the General Meetings.

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the aim of the directors is to present a balanced and comprehensible assessment of the Group's position and prospects. The Audit Committee assists the Board to ensure accuracy and adequacy of all annual and quarterly financial reports, audited and unaudited for disclosure. The Statement by the Board pursuant to Paragraph 15.26(a) of the Listing Requirements on its responsibilities in preparing the financial statements is set out in Section E below.

2. Internal Controls

The Board acknowledges its overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal controls and compliance with laws and regulations. The system provides reasonable but not absolute assurance against material misstatements, losses, fraud and irregularities.

3. Relationship with Auditors

The External Auditors, Messrs SJ Grant Thornton have to report to the Company of their findings which are included as part of the Company's financial reports with respect to each year's audit on statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors will highlight to the Audit Committee and the Board of Directors on matters that require the Audit Committee's and Board's attention & action.

E. STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2009, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records with reasonable accuracy of the financial position of the Company. The Directors are to ensure that the financial statements comply with mandatory provisions of the Companies Act, 1965, the MASB Standard and the Listing Requirements. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

F. COMPLIANCE STATEMENT

The Group has complied throughout the financial year ended 31 December 2009, with the principles and best practices of the Code.

At present, the roles of the Managing Director and Chairman are combined because the Managing Director has the necessary skill, knowledge, expertise and experience. The Board of Directors is confident that Mr. Ng Swee Kiat, who is the Managing Director, is competent to hold the position of the Chairman of the Company. Although the roles are combined, Mr. Ng discharges his duty as Managing Director and Chairman independently with judgmental discretion. There is a strong independent element on the Board representation as the Board consists of three Independent Non-Executive Directors who exercise their independent judgment.

Audit Committee's Report

1. COMPOSITION

Chairman
Mr. Chua Eng Chin - *Independent Non-Executive Director*

Members
Mr. Sukhinderjit Singh Muker - *Independent Non-Executive Director*
En. Zainuri Bin Zainal - *Independent Non-Executive Director*
Dato' Mohamed Amir Abas Bin Zainal Azim - *Independent Non-Executive Director*

2. TERMS OF REFERENCE

2.1 Members

The Board from among its members shall appoint the Audit Committee that fulfils the following requirements:-

a) The Audit Committee must be composed of no fewer than 3 members.

b) All the Audit Committee members must be non-executive directors, with a majority of them being independent directors.

c) All members of the Audit Committee should be able to read, analyse and interpret financial statements. At least one of them:-

   (i) must be a member of the Malaysian Institute of Accountants; or

   (ii) if the is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-

      (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
      (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act, 1967; or

   (iii) fulfils such other requirements as prescribed or approved by the Exchange pursuant to Para.7 of the Practice Note 13 as "Requisite Qualifications" as follows:

      (aa) a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance;
      (bb) at least 7 years' experience being a chief financial officer of a company or having the function of being primarily responsible for the management of the financial affairs of a company;

d) The members of the Audit Committee shall elect a Chairman among their number who shall be an independent director.

e) No alternate director is appointed as a member of Audit Committee.

f) If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new member as may be required to make up the minimum number of 3 members.

g) The term of office and performance of Audit Committee and each of its members shall be reviewed by the Board at least once every 3 years.

2. **TERMS OF REFERENCE** *cont'd*

2.2 Meetings

Meetings shall be held as and when the Audit Committee deems necessary.

A minimum of two members present shall form a quorum, both of whom present shall be independent Non-Executive Directors. In the event that the Chairman is unable to attend a meeting, a member of the Audit Committee shall be nominated as Chairman of the meeting. The nominated Chairman shall be an Independent Director.

The Committee may invite other directors and employees to the meeting to brief the Audit Committee on issues that are incorporated into agenda. The Company Secretary shall be the Secretary to the Audit Committee meetings.

2.3 Authority

The Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:-

a) have authority to investigate any matter within its terms of reference;

b) have adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Group in performing its duties;

c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

d) be able to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary; and

e) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

2.4 Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be:-

a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;

b) To review with the external auditors, the audit plan and audit report;

c) To review with the external auditor, his evaluation of the system of internal controls;

d) To review the assistance given by the employees of the Company to the external auditor;

e) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

f) To review the internal audit programme, processes, the results of the internal audit programmed, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

2. TERMS OF REFERENCE *cont'd*

2.4 Duties and Responsibilities *cont'd*

g) To review the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:-

(i) changes in or implementation of major accounting policy changes;

(ii) significant and unusual events; and

(iii) compliance with accounting standards and other legal requirements;

h) To review any related party transaction and conflict of interest situation that may arise within the listed company or group including any transaction, procedure or course of conduct that raises questions of management integrity; and

i) To review whether there is reason (supported by grounds) to believe that the listed company's external auditor is not suitable for re-appointment.

j) To verify the allocation of options pursuant to a share scheme for employees at the end of each financial year.

3. ATTENDANCE OF MEETINGS

During the year ended 31 December 2009, the audit committee held five (5) meetings. Details of the attendance of committee members were as follow:-

Member	Attendance
Mr. Sukhinderjit Singh Muker	4/5
Zainuri Bin Zainal	4/5
Mr. Chua Eng Chin	5/5
Dato' Mohamed Amir Abas Bin Zainal Azim *(appointed as AC member on 1.10. 2009)*	1/1

The audit committee did not meet up with external auditors without the presence of executive members during the financial year 2009 because it was deemed unnecessary. The external auditor shall meet the Audit Committee if there are contentious issues to be discussed. The Company Secretary attended most of the meetings held.

4. SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The activities of the Audit Committee during the financial year ended 31 December 2009 include the following:-

- review the quarterly results and year end financial statements
- review the adequacy of the audit scope and plan of the external auditors
- review reports of the internal and external auditors
- review related party transactions
- review the ESOS offered and exercise
- review the Statement of Internal Control
- review the audited Financial Statements of the Group and the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited Financial Statements were drawn up in accordance with the provision of the Companies Act, 1965 and the applicable accounting standards approved by the Malaysian Accounting Standard Board ("MASB").

5. INTERNAL AUDIT FUNCTIONS

The Company has established its in house Internal Audit Division with effective from 4.6.2008 which reports directly to the Audit Committee to ensure that the internal audit functions are carried out effectively and professionally.

The role of the internal audit functions is to undertake regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements.

The costs incurred for the Internal Audit Function for the financial year 2009 is RM51,450.

During the financial year, the following activities were carried out by the internal audit department in discharge of its responsibilities:-

i) Review the system of internal controls of the various business operating units;
ii) Recommend improvements to the existing systems of internal controls;
iii) Follow up on implementation and disposition of audit findings and recommendation;
iv) Ascertain the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
v) Carry out various special assignments requested by the management and or the Audit Committee;
vi) Identify opportunities to improve the operations of and processes in the Company and the Group;
vii) Identification of risks and implementation of recommendations to mitigate the risks; and
viii) Implementation of quarterly report with emphasis of Key Performance Index across the group; as indicative yardstick of measures in daily operation.

Statement of Internal Control

In accordance with Para 15.26(b) of the Listing Requirements, it requires the Board to make a statement in the Company's Annual Report about the state of its internal controls. Also, the Malaysia Code of Corporate Governance requires all listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Accordingly, the Board acknowledged the importance of the system of Internal Control and also that the practice of good governance is an important continuous process. This Statement of Internal Control has been prepared in accordance with the Statement of Internal Control: Guidance for Directors of Public Listed Companies issued by Bursa Securities Berhad.

The Board of Directors of Harvest Court Industries Berhad acknowledges the importance of the system of internal control and affirms that it is their responsibility to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. In this respect the Board is responsible for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's system of internal control. However, it should be noted that the risk management system and system of internal control are only designed to manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board has considered the system of internal control during the financial year and some of the key elements are summarized as follows:-

- Duties, responsibilities and reporting lines are communicated to the staff through organization charts, appointment letters and internal memo.
- Management contacts and communication are maintained between the Executive Directors and Senior Management to resolve all relevant operational and financial issues that affect the Group.
- The Audit Committee reviews the quarterly financial results, annual reports, audited financial statements and internal control issues identified by the External Auditors, Internal Auditors and the management; and
- The Head of Internal Audit reports directly to the Audit Committee. The Internal Audit Department conducts regular and systematic reviews on system of internal control and effectiveness.
- The Head of Audit Committee on behalf of the Audit Committee will regularly review and hold discussions with management on the action taken on internal control and financial accounting issues identified by the internal auditors, the external auditors and regulatory authorities.
- Adequate insurance coverage of major assets to prevent material losses to the Group against any mishap.

The Board recognizes that the system of internal control must continuously improve in line with the Group business environment. Therefore, the Board would put in place adequate plans, where necessary, to continuously improve the Group's system of internal control.

Other Disclosure Requirements

Pursuant to the Listing Requirements of Bursa Securities

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The Corporate Exercise Proposals approved by the shareholders on 19th December 2007 have been duly implemented in December 2009. The proceeds raised from the corporate exercise were utilized as follows:-

Purpose	Proposed utilization RM'000	Actual utilization RM'000	Deviation RM'000
Settlement of statutory debts	1,685	421	1,264
Repayment of bank borrowings	1,351	1,351	0
Investment in joint venture	2,000	200	1,800
Working capital	5,389	4,259	1,130
Estimated expenses for the Proposals	1,577	1,176	401
Total	**12,002**	**7,407**	**4,595**

As at 30 April 2010, the Company has utilized RM7.4 million out of the total proceeds raised from the corporate exercise of RM12 million.

The Company had on 25 December 2009 announced on the private placement exercise. The proceeds arising from the private placement exercise has been utilized for working capital and capital expenditure requirements.

2. SHARE BUY-BACKS

There were no share buy-back arrangements during the financial year.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

A total number of 70,760,472 warrants were issued during the financial year ended 31 December 2009.

Save as mentioned above, there were no options and convertible securities being granted, issued or exercised in respect of the financial year.

4. DEPOSITORY RECEIPT PROGRAMMES

The Company did not sponsor any depository receipt programmes during the financial year.

5. IMPOSITION OF SANCTIONS/PENALTIES

There were no public imposition of sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies during the financial year.

6. NON-AUDIT FEES

There was an amount of RM73,971 on Corporate Exercise Expenses paid to the external auditors by the Group for the financial year ended 31 December 2009.

Other Disclosure Requirements

Pursuant to the Listing Requirements of Bursa Securities
cont'd

7. PROFIT GUARANTEE

The Company did not give any form of profit guarantee to any parties during the financial year.

8. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

There were no contracts relating to loan and material contracts of the Company and its subsidiaries involving the Directors and substantial shareholders since the end of the previous financial year.

9. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE

There was no Recurrent Related Party Transactions of a revenue and trading nature during the year.

10. REVALUATION POLICY ON LANDED PROPERTIES

The Group does not adopt a policy on regular revaluation to its landed properties.

11. CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes the importance of being a responsible corporate citizen. In addition to improving workplace environment, committed to staff training and recycling of wood based products, the Group has undertaken to sponsor the full rental of a premises for Drug Rehabilitation and Industrial Training Centre with effective from 2010.

Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit/(loss) for the financial year	12,161,099	(1,261,786)
Attributable to:		
Equity holders of the Company	12,161,099	(1,261,786)
Minority interests	-	-
	12,161,099	(1,261,786)

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the Notes to the financial statements.

SHARE CAPITAL REDUCTION

During the financial year, in connection with the Proposed Capital Debt Restructuring Scheme disclosed in Note 29 (a) to the financial statements, the Company has reduced its share capital from RM 22,669,900 comprising 22,669,900 ordinary shares of RM1.00 each to RM5,667,475 comprising 22,669,900 ordinary shares of RM0.25 each by way of cancellation of RM0.75 of the par value of the existing ordinary shares in the Company, and the reduction of the entire share premium account of the Company as at 31st December, 2008.

Directors' Report
cont'd

SHARES CAPITAL AND DEBENTURES

During the financial year, the following shares were issued:-

Date of issue	Purpose of issue	Class of share	Number of shares at RM0.25 per share	Term of issue
20.11.2009	Working capital	Ordinary	48,006,847	Cash
20.11.2009	Land acquisition	Ordinary	21,480,000	Others
20.11.2009	Debt settlement scheme	Ordinary	69,534,500	Cash

There were no debentures issued during the financial year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 28 June 2004. The ESOS was implemented on 7 September 2004 and is to be in force for a period of 5 years from the date of implementation.

The salient features of the ESOS are as follows:-

(a) The ESOS Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1.00 each in the Company.

(b) The eligibility of a Director or employee of the Group to participate in the ESOS shall be at the discretion of the ESOS Committee, who shall take into consideration factors such as year of service and performance track record.

(c) The total number of shares to be issued under ESOS shall not exceed in aggregate 15% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.

(d) The option price for each share shall be weighted average of the market price as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date on which the option is granted less, if the ESOS Committee shall so determine at their discretion from time to time, a discount of not more than 10% or the par value of the shares of the Company of RM1.00.

(e) The number of outstanding options to subscribe for shares or the option price or both may be adjusted following any issue of additional shares by way of right issues, bonus issues or other capitalisation issue carried out by the Company while an option remain unexercised; and

(f) The new shares allotted upon any exercise of the option shall rank pari passu in all respects with the existing ordinary shares of the Company except that the new shares so issued will not rank for any rights, dividends, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares.

		Number of option over ordinary shares of RM1.00 each				
Year of offer	Option price	At 1.1.2009	Granted	Exercised	Expired	At 31.12.2009
Existing ESOS						
2005	RM1.00	691,300	-	-	(691,300)	-

The ESOS was expired on 6 September 2009.

INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render the amount of bad debts written off and the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent liability or other liability has become enforceable or is likely to become enforceable within the financial period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

SIGNIFICANT EVENTS

The significant events during the financial year and subsequent to the balance sheet date are disclosed in the Note 29 to the financial statements.

OTHER STATUTORY INFORMATION

The Directors state that:-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In their opinion:-

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the Notes to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Directors' Report
cont'd

DIRECTORS

The Directors in office since the date of the last report are:-

Ng Swee Kiat
Sukhinderjit Singh Muker
Zainuri bin Zainal
Chua Eng Chin
Dato' Mohamed Amir Abas Bin Zainal Azim (appointed on 1.7.2009)

In accordance with Article 97 and 103 of the Company's Articles of Association, Zainuri bin Zainal and Dato' Mohamed Amir Abas Bin Zainal Azim shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and option over shares in the Company and its related corporations were as follows:

	Ordinary shares of RM0.25 each			
Interest in the Company	**At 1.1.2009**	**Bought**	**Sold**	**At 31.12.2009**
Direct Interest				
Ng Swee Kiat	379,000	7,867,294	-	8,246,294
Sukhinderjit Singh Muker	10,000	21,176	-	31,176
Deemed Interest				
Ng Swee Kiat*#	7,822,200	25,712,280	-	33,534,480

	Unit of Warrants			
	At 1.1.2009	**Bought**	**Sold**	**At 31.12.2009**
Direct Interest				
Ng Swee Kiat	-	167,294	-	167,294
Sukhinderjit Singh Muker	-	21,176	-	21,176

* *deemed interest by virtue of their shareholdings in Harvest Court Holdings (M) Sdn. Bhd..*
# *deemed interest by virtue of their family members' interest in the Company.*

Ng Swee Kiat by virtue of his interest in shares in the Company is also deemed interested in the shares of its related corporations to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

No other Directors in office at the end of the financial year held any shares and warrants or had any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share options granted pursuant to the ESOS.

DIRECTORS' BENEFITS *cont'd*

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in the Notes to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

AUDITORS

Messrs SJ Grant Thornton have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 19 April 2010.

....)
NG SWEE KIAT)
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) DIRECTORS
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ZAINURI BIN ZAINAL

Kuala Lumpur

19 April 2010

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 31 to 73 drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of the results and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 19 April 2010.

....
NG SWEE KIAT

....
ZAINURI BIN ZAINAL

Kuala Lumpur

19 April 2010

Statutory Declaration

I, Ng Swee Kiat, being the Director primarily responsible for the financial management of Harvest Court Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 31 to 73 of the Company are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of 19 April 2010)
)

....
NG SWEE KIAT

Before me:

Commissioner for Oaths

Independent Auditors' Report
to the Members of Harvest Court Industries Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Harvest Court Industries Berhad, which comprise the balance sheets of the Group and of the Company as at 31 December 2009, the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 73.

Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) The auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Independent Auditors' Report

to the Members of Harvest Court Industries Berhad
cont'd

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS *cont'd*

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

DATO' N. K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/12(J/PH))

Kuala Lumpur

19 April 2010

Balance Sheets
as at 31 December 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	5	40,422,812	22,669,900	40,422,812	22,669,900
Share premium	6	-	873,000	-	873,000
Accumulated losses		(16,310,140)	(46,346,664)	(21,513,720)	(38,127,359)
TOTAL EQUITY		24,112,672	(22,803,764)	18,909,092	(14,584,459)
NON-CURRENT LIABILITIES					
Finance lease payables	7	42,242	84,941	-	-
Deferred tax liabilities	8	134,000	201,000	-	-
		24,288,914	(22,517,823)	18,909,092	(14,584,459)
NON-CURRENT ASSETS					
PROPERTY, PLANT AND EQUIPMENT	9	11,041,364	11,717,822	1,475	4,238
PREPAID LAND LEASE PAYMENTS - AT COST		5,577,918	-	5,577,918	-
INVESTMENT IN SUBSIDIARY COMPANIES	10	-	-	13,744,998	13,744,998
Total non-current assets		16,619,282	11,717,822	19,324,391	13,749,236
CURRENT ASSETS					
Inventories	11	7,375,933	4,987,800	-	-
Trade receivables	12	5,393,671	2,360,520	-	-
Other receivables, deposits and prepayments	13	318,016	2,109,646	216,901	2,061,547
Amount due from subsidiary companies	14	-	-	12,456,294	9,850,080
Tax recoverable		1,267	1,267	-	-
Fixed deposits with a licensed bank		7,002,685	-	7,002,685	-
Cash and bank balances		1,237,851	25,228	1,178,699	-
		21,329,423	9,484,461	20,854,579	11,911,627
Non-current asset classified as held for sale	15	-	9,952,354	-	-
Total current assets		21,329,423	19,436,815	20,854,579	11,911,627
CURRENT LIABILITIES					
Trade payables	16	1,987,123	1,148,317	-	-
Other payables and accruals	17	10,737,542	10,512,865	9,104,170	2,535,180
Amount due to subsidiary companies	14	-	-	12,047,082	22,405,063
Short term borrowings	18	310,493	41,214,340	-	15,167,714
Finance lease payables	7	35,383	33,383	-	-
Tax payable		589,250	763,555	118,626	137,365
Total current liabilities		13,659,791	53,672,460	21,269,878	40,245,322
NET CURRENT ASSETS/(LIABILITIES)		7,669,632	(34,235,645)	(415,299)	(28,333,695)
		24,288,914	(22,517,823)	18,909,092	(14,584,459)

The accompanying notes form an integral part of the financial statements.

Income Statements
for the Financial Year Ended 31 December 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Revenue	19	9,232,835	7,075,579	-	-
Cost of sales		(9,788,566)	(7,384,487)	-	-
Gross loss		(555,731)	(308,908)	-	-
Other income		120,881	3,637,438	2,685	3,221,239
Selling and distribution expenses		(121,070)	(248,505)	-	-
Administration expenses		(1,893,543)	(1,332,495)	(330,586)	(209,652)
Other expenses		(792,499)	(1,628,348)	(5,914)	-
Finance costs		(2,529,050)	(4,041,107)	(653,945)	(1,484,553)
Exceptional items	20	17,796,111	-	(196,026)	(2,242,680)
Profit/(loss) before taxation	21	12,025,099	(3,921,925)	(1,183,786)	(715,646)
Taxation	22	136,000	-	(78,000)	-
Net profit/(loss) for the financial year		12,161,099	(3,921,925)	(1,261,786)	(715,646)
Attributable to:					
Equity holders of the Company		12,161,099	(3,921,925)	(1,261,786)	(715,646)
Minority interests		-	-	-	-
		12,161,099	(3,921,925)	(1,261,786)	(715,646)
Earning/(Loss) per share attribute to equity holders of the Company (sen)					
- Basic	23	31	(17)		

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity
for the Financial Year Ended 31 December 2009

Group	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
Balance at 1 January 2008	22,669,900	873,000	(42,424,739)	(18,881,839)
Net loss for the financial year	-	-	(3,921,925)	(3,921,925)
Balance at 31 December 2008	22,669,900	873,000	(46,346,664)	(22,803,764)
Capital reduction	(17,002,425)	(873,000)	17,875,425	-
Issuance of share pursuant to debt restructuring	34,755,337	-	-	34,755,337
Net profit for the financial year	-	-	12,161,099	12,161,099
Balance at 31 December 2009	40,422,812	-	(16,310,140)	24,112,672
Company				
Balance at 1 January 2008	22,669,900	873,000	(37,411,713)	(13,868,813)
Net loss for the financial year	-	-	(715,646)	(715,646)
Balance at 31 December 2008	22,669,900	873,000	(38,127,359)	(14,584,459)
Capital reduction	(17,002,425)	(873,000)	17,875,425	-
Issuance of share pursuant to debt restructuring	34,755,337	-	-	34,755,337
Net loss for the financial year	-	-	(1,261,786)	(1,261,786)
Balance at 31 December 2009	40,422,812	-	(21,513,720)	18,909,092

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

for the Financial Year Ended 31 December 2009

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	12,025,099	(3,921,925)	(1,183,786)	(715,646)
Adjustments for:				
Allowance for doubtful debts	37,192	-	-	-
Allowance for obsolete inventories	745,130	-	-	-
Bad debts written off	28,019	-	5,914	-
Depreciation	705,452	833,288	2,763	5,284
Gain on disposal of property, plant and equipment	(8,970)	(330,210)	-	-
Impairment loss on investment in subsidiary companies	-	-	-	2,242,680
Impairment loss on land held for property development	-	1,624,714	-	-
Interest expenses	2,511,455	4,027,103	653,637	1,484,386
Interest income	(37,515)	(11,373)	(2,685)	(1,328,386)
Property, plant and equipment written off	-	1,946	-	-
Waiver of principal on borrowings	(8,345,309)	-	(4,661,095)	-
Waiver of principal on borrowings allocated to subsidiary companies	-	-	3,770,731	-
Waiver of interest on borrowings	(12,657,849)	-	(921,247)	-
Waiver of debts - others	-	(2,727,925)	-	(1,892,583)
Operating loss before working capital changes	(4,997,296)	(504,382)	(2,335,768)	(204,265)
Changes in working capital:-				
Inventories	(3,133,263)	505,369	-	-
Payables	(2,287,027)	(1,687,845)	4,157,628	(717,937)
Receivables	(1,706,732)	906,322	1,838,732	(269,263)
Subsidiary companies	-	-	(5,905,263)	1,192,336
Cash (used in)/generated from operations	(12,124,318)	(780,536)	(2,244,671)	871
Interest paid	(6,630)	(1,339,255)	-	(843,104)
Interest received	37,515	11,373	2,685	-
Tax paid	-	-	(18,740)	-
Tax refund	-	3,000	-	-
Net cash used in operating activities	(12,093,433)	(2,105,418)	(2,260,726)	(842,233)

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

for the Financial Year Ended 31 December 2009

cont'd

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	9,973,204	2,380,148	-	-
Purchase of property, plant and equipment	(248,792)	(23,809)	(207,918)	-
Net cash generated from/(used in) investing activities	9,724,412	2,356,339	(207,918)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital	12,001,712	-	12,001,712	-
Settlement of bank overdrafts	14,220,830	-	8,897,487	-
Repayment of borrowings	(1,376,684)	(983,691)	(1,351,684)	-
Repayment of finance lease payables	(40,699)	(23,794)	-	-
Net cash generated from/ (used in) financing activities	24,805,159	(1,007,485)	19,547,515	-
CASH AND CASH EQUIVALENTS				
Net changes	22,436,138	(756,564)	17,078,871	(842,233)
At beginning of financial year	(14,195,602)	(13,439,038)	(8,897,487)	(8,055,254)
At end of financial year (Note A)	8,240,536	(14,195,602)	8,181,384	(8,897,487)

NOTES TO CASH FLOW STATEMENTS

A. CASH AND CASH EQUIVALENTS COMPRISE OF:-

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Bank overdrafts	-	(14,220,830)	-	(8,897,487)
Cash and bank balances	1,237,851	25,228	1,178,699	-
Fixed deposits with a licensed bank	7,002,685	-	7,002,685	-
	8,240,536	(14,195,602)	8,181,384	(8,897,487)

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements
31 December 2009

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards issued by Malaysian Accounting Standards Board ("MASB").

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within guidelines approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of its normal external trading activities where the currency denomination differs from the local currency, Ringgit Malaysia (RM). Foreign exchange exposure in transactional currencies other than functional currency is monitored.

(b) Interest rate risk

The Group's exposure to the risk of changes in interest rates relating primarily to the Group's bank borrowings.

The Group manages its interest exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio by taking into account the investment holding period and nature of the assets. This strategy allows the Group to capitalise on cheaper funding in a low interest rate environment and achieve a comfortable level of protection against rate hikes.

(c) Market risk

For key product purchase, the Group establishes floating and fixed priced levels that the Group considers acceptable and enters physical supply or derivative agreements, where necessary, to achieve these levels. The Group does not face significant exposure from the risk from changes in price levels.

(d) Credit risk

The management has in place a credit risk policy to monitor and minimise the exposure of counter party default which is controlled by the application of credit approval, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high credit worthiness. Trade receivables are monitored on a regular and an ongoing basis via Group's management reporting procedures.

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to group of receivables.

(e) Liquidity and cash flow risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(e) Liquidity and cash flow risks *cont'd*

The Group also strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital market and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of investment in subsidiary companies and unless otherwise indicated in the summary of significant accounting policies.

(b) Adoption of Revised Financial Reporting Standards ("FRS")

The following are standards and IC Interpretations which are not yet effective and have not been early adopted by the Group and the Company:-

1)	Amendments to FRS 1	-	First-time Adoption of Financial Reporting Standards
2)	FRS 1 (#)	-	First-time Adoption of Financial Reporting Standards
3)	Amendments to FRS 1 (@)	-	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
4)	Amendments to FRS 2	-	Share-based Payment-Vesting conditions and Cancellations
5)	Amendments to FRS 2 (#)	-	Share-based Payment
6)	FRS 3 (#)	-	Business Combinations
7)	FRS 4	-	Insurance Contracts
8)	Amendment to FRS 5	-	Non-current Assets Held for Sale and Discontinued Operations
9)	Amendments to FRS 5 (#)	-	Non-current Assets Held for Sale and Discontinued Operations
10)	FRS 7	-	Financial Instruments: Disclosures
11)	Amendment to FRS 7	-	Financial Instruments: Disclosures
12)	Amendment to FRS 7 (@)	-	Improving Disclosures about Financial Instruments
13)	FRS 8	-	Operating Segments
14)	Amendment to FRS 8	-	Operating Segments
15)	FRS 101	-	Presentation of Financial Statements (Revised)
16)	Amendment to FRS 107	-	Statement of Cash Flows (formerly known as Cash Flow Statements)
17)	Amendment to FRS 108	-	Accounting Policies, Changes in Accounting Estimates and Errors
18)	Amendment to FRS 110	-	Events after the Reporting Period (formerly known as Events after the Balance Sheet Date)
19)	Amendment to FRS 116	-	Property, Plant and Equipment
20)	Amendment to FRS 117	-	Leases
21)	Amendment to FRS 118	-	Revenue
22)	Amendment to FRS 119	-	Employee Benefits

3. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(b) Adoption of Revised Financial Reporting Standards ("FRS") *cont'd*

The following are standards and IC Interpretations which are not yet effective and have not been early adopted by the Group and the Company:- *cont'd*

23)	Amendment to FRS 120	-	Accounting for Government Grants and Disclosure of Government Assistance
24)	FRS 123	-	Borrowing Costs
25)	Amendment to FRS 123	-	Borrowing Costs
26)	Amendments to FRS 127	-	Consolidated and Separate Financial Statements
27)	FRS 127 (#)	-	Consolidated and Separate Financial Statements
28)	Amendment to FRS 128	-	Investments in Associates
29)	Amendment to FRS 129	-	Financial Reporting in Hyperinflationary Economies
30)	Amendment to FRS 131	-	Interests in Joint Ventures
31)	Amendment to FRS 132	-	Financial Instruments: Presentation
32)	Amendment to FRS 132 (^)	-	Financial Instruments: Presentation
33)	Amendment to FRS 132 (@)	-	Financial Instruments: Presentation
34)	Amendment to FRS 134	-	Interim Financial Reporting
35)	Amendment to FRS 136	-	Impairment of Assets
36)	Amendments to FRS 138	-	Intangible Assets
37)	Amendments to FRS 138 (#)	-	Intangible Assets
38)	FRS 139	-	Financial Instruments: Recognition and Measurement
39)	Amendment to FRS 139	-	Financial Instruments: Recognition and Measurement
40)	Amendment to FRS 140	-	Investment Property
41)	IC Interpretation 9	-	Reassessment of Embedded Derivatives
42)	Amendments to IC Interpretation 9 (#)	-	Reassessment of Embedded Derivatives
43)	IC Interpretation 10	-	Interim Financial Reporting and Impairment
44)	IC Interpretation 11	-	FRS 2 - Group and Treasury Share Transactions
45)	IC Interpretation 12 (#)	-	Service Concession Arrangements
46)	IC Interpretation 13	-	Customer Loyalty Programmes
47)	IC Interpretation 14	-	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
48)	IC Interpretation 15 (#)	-	Agreements for the Construction of Real Estate
49)	IC Interpretation 16 (#)	-	Hedges of a Net Investment in a Foreign Operation
50)	IC Interpretation 17 (#)	-	Distributions of Non-cash Assets to Owners

All the above Amendments, IC Interpretations and FRSs will be effective for accounting period beginning on or after 1 January 2010, other than FRS 8, those marked with (^), (#) and (@) which will be applicable to accounting period beginning on or after 1 July 2009, 1 March 2010, 1 July 2010 and 1 January 2011 respectively. Existing FRS1, FRS3, FRS127 as well as $FRS201_{2004}$ will be withdrawn upon adoption of new requirements effective from 1 July 2010.

3. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(b) Adoption of Revised Financial Reporting Standards ("FRS") *cont'd*

FRS 4, Amendment to FRS 120, Amendment to FRS 128, Amendment to FRS 129, Amendments to FRS 138, Amendments to FRS 138 (#), Amendments to FRS 140, IC Interpretation 11, 12 (#), 13, 14, 16 (#) and 17 (#) are not expected to be relevant to the operations of the Group and of the Company. The directors anticipate that the other FRS, amendments to FRS and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company for the financial year commencing 1 January 2010 and that the adoption of these new/revised FRS, amendments to FRS and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period for initial application except for the following:

FRS 3 Business Combination

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential Amendment to FRS 101 - Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and of the Company's financial position and performance, nature and extent of risks arising from financial instruments and the objectives, policies and processes for managing capital.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114_{2004} - Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. Currently, the Group identifies two sets of segments (business and geopgraphical) using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 8, the identification of the Group's reportable segments may change.

FRS 123 Borrowing Costs

FRS 123 eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. The Group and the Company shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

FRS 127 Consolidated and Separate Financial Statements

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Losses are required to allocate to non-controlling interests, even if it results in the non-controlling interest to be in a deficit position.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Adoption of Revised Financial Reporting Standards ("FRS") *cont'd*

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. By virtue of the exemption in paragraph 103AB of FRS 139, the impact on the financial statements upon first adoption of this standard as require by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed, if any.

IC Interpretation 15 Agreements for the Construction of Real Estate

This interpretation requires the Group to determine whether the sale and purchase agreements are construction service contracts or sale of goods and whether the percentage of completion method is appropriate for some agreements whilst for others, revenue is recognised only at the point the constructed goods are delivered to the customers.

IC Interpretation 17 Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Company should measure the dividend payable at the fair value of the assets to be distributed when the dividend is appropriately authorised and is no longer at the discretion of the Company. On settlement of the dividend, the difference between the dividend paid and the carrying amount of the assets distributed is recognised in profit or loss. If the dividend remains unpaid at the end of the financial year end, the dividend payable carrying amount is reviewed with any changes recognised in equity.

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Income taxes

The Group is exposed to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of property, plant and equipment

The carrying amount of the property, plant and equipment are reviewed at each balance sheet to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Significant accounting estimates and judgements *cont'd*

(i) Key sources of estimation uncertainty *cont'd*

Impairment of property, plant and equipment cont'd

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed business losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line basis over their useful life. Management estimated the useful life of these property, plant and equipment is 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these property, plant and equipment, therefore future depreciation charges could be revised.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for the like transactions and events in similar circumstances.

Acquisition of the subsidiary companies is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued, plus any cost directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represent goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is measured at cost less any accumulated impairment losses. It is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Subsidiary companies

Subsidiary companies are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

The policy for the recognition and measurement of impairment loss is in accordance with Note 3 (z).

(g) Minority interests

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree and advances received from the minority shareholders.

(h) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

The policy for the recognition and measurement of impairment loss is in accordance with Note 3 (z).

Freehold land and work in progress are not depreciated. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each property, plant and equipment over their estimated useful lives. The principal annual rates of depreciation used are as follows:-

Buildings	2%
Plant and machinery	5 – 33%
Office furniture, fittings and equipment	5 – 10%
Motor vehicles	10 – 20%

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing property, plant and equipment beyond its previously assessed standard of performance.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Property, plant and equipment and depreciation *cont'd*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(i) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment loss. The policy for the recognition and measurement of impairment loss is in accordance with Note 3 (z).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the survey of work performed.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development cost incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the financial period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period is recognised as an expense immediately.

Property development cost not recognised as an expenses are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings.

(j) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the survey of work performed.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probably will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(j) Construction contracts *cont'd*

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers. When progress billings exceeds costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers.

(k) Inventories

Inventories of raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value less allowance for obsolete and slow moving items. Cost is determined on the first-in-first-out basis.

Cost of raw materials comprises the cost of purchase plus the cost of bringing the inventories to their present location and condition.

Cost of work-in-progress and finished goods consist of raw materials, direct labour, other direct costs and an appropriate proportion of production overheads.

(l) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of an allowance is the present value of the expenditure expected to be required to settle the obligation.

(m) Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off when they are identified. Specific allowance is made for debts that are considered doubtful of collection based on a review of all outstanding amounts on a periodic basis.

(n) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(o) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

i) Sale of goods

Revenue from sale of goods is recognised net of discounts when transfer of risks and rewards has been completed.

3. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(o) **Revenue recognition** *cont'd*

ii) ***Revenue from services***

Revenue from services rendered is recognised net of taxes and discounts as and when the services are performed.

iii) ***Interest income***

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

iv) ***Sale of properties***

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 3 (i) (ii).

v) ***Construction contract***

Revenue from construction contract is accounted for by the stage of completion method as described in Note 3 (j).

(p) **Foreign currencies**

i) ***Functional and presentation currency***

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which also the Company's functional currency.

ii) ***Foreign currency transactions***

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the financial period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the financial period except for differences arising on the translation of non-monetary items arising in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

iii) ***Foreign operations***

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

3. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(p) **Foreign currencies** *cont'd*

iii) ***Foreign operations*** *cont'd*

- Income and expenses for each income statements are translated at average exchange rates for the financial year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on and after 1 January 2006 are treated as assets and liabilities of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity before 1 January 2006 are deemed to be assets and liabilities of the Company and translated at the exchange rate ruling at the date of the acquisition.

(q) **Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the financial period in which they are declared.

The transaction cost of an equity transaction is accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(r) **Interest-bearing borrowings**

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received net of transaction costs. Borrowing costs are charged to the income statement as an expense in the financial period in which they are incurred.

Interest incurred on borrowings relating to the construction of property, plant and equipment is capitalised until the assets are ready for their intended use. Borrowing costs relating to development properties are capitalised during the financial period of active development until they are ready for their intended purposes.

(s) **Income tax**

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(s) Income tax *cont'd*

Deferred tax is measured at the tax rates that are expected to apply in the financial period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(t) Property, plant and equipment acquired under finance lease and hire purchase arrangements

The cost of property, plant and equipment acquired under finance lease and hire purchase arrangements are capitalised. The depreciation policy on these property, plant and equipment is similar to that of the Group's property, plant and equipment depreciation policy. Outstanding obligation due under the finance lease or hire purchase agreements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease or hire purchase agreements are allocated to income statement over the financial period of the respective agreements.

(u) Financial instruments

Financial instruments carried on the balance sheets include cash and bank balances, investments, receivables, payables and bank borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash comprises of cash and bank balances, bank overdraft and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(w) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contributions plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(w) Employee benefits *cont'd*

(ii) Defined contributions plans *cont'd*

Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF").

(iii) Equity compensation benefits

The Employee Share Option Scheme ("ESOS") allows the Group's employees to acquire shares of the Company and none of the Group's plan features any options for a cash settlement.

The fair value of the employee services received in exchange for the grant of the share options is recognised as expenses in the income statement over the vesting period of the grant with a corresponding increase in share option reserve.

No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received net of any directly attributable transaction costs.

(x) Segmental results

Segment revenues, expenses and results are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles and property, plant and equipment, net of provision and accumulated depreciation and amortisation. While most such assets can be directly attributed to the segments on a reasonable basis, segment assets and liabilities do not include income tax assets, income tax liabilities and deferred income taxes.

(y) Intersegment transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

(z) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of fair value less cost to sell and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit.

An impairment loss is charged to the income statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(aa) Non-current assets held for sale and discontinued operation

A component of the Group is classified as discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Disposal groups or non-current assets are deemed to be held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

Classification of the asset (or disposal group) as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and sale must be highly probable. Management is committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one financial year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before the initial recognition of the asset (or disposal group) as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the Group) are measured in accordance with the applicable FRSs. Upon the classification as held for sale, non-current assets and disposals groups are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated. Any differences are recognised in the income statement.

(bb) Prepaid land lease payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the Group by the end of the lease term is treated as operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid land lease payment and is amortised over the respective lease term ranging from 20 to 40 years.

4. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at Lot 450, Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a Resolution of the Directors on 19 April 2010.

5. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2009	2008	2009 RM	2008 RM
Authorised:				
At beginning of financial year	25,000,000	25,000,000	25,000,000	25,000,000
Number of shares created from sub division of shares	75,000,000	-	-	-
Creation during the financial year	300,000,000	-	75,000,000	-
At end of financial year	400,000,000	25,000,000	100,000,000	25,000,000
Issued and fully paid:				
At beginning of financial year	22,669,900	22,669,900	22,669,900	22,669,900
Capital reduction	-	-	(17,002,425)	-
Issued pursuant to debt restructuring	139,021,347	-	34,755,337	-
At end of financial year	161,691,247	22,669,900	40,422,812	22,669,900
Par value (RM) per share	0.25	1.00		

During the financial year:

(a) The authorised share capital of the Company has been increased from RM25,000,000 comprising of 25,000,000 ordinary shares of RM1.00 each to RM100,000,000 comprising of 400,000,000 ordinary shares of RM0.25 each.

(b) The issued and fully paid-up share capital of the Company was decreased from RM22,669,900 comprising 22,669,900 ordinary shares of RM1.00 each to RM5,667,475 comprising 22,669,900 ordinary shares of RM0.25 each by way of cancellation of RM0.75 of the par value of the existing ordinary shares in the Company in issue, pursuant to Proposed Capital Debts Restructuring Scheme ("PCDRS"); and

(c) Pursuant to the PCDRS, the Company has make the following issuance:

(i) Rights issue

Issuance of 48,006,847 ordinary shares of RM0.25 each with 48,006,847 free detachable warrants on the basis of thirty six (36) Rights Shares with thirty six (36) free detachable warrants for every seventeen (17) existing shares of RM0.25 each (after the Share Capital Reduction) held at an issue price of RM0.25 per Rights Share.

(ii) Acquisition of land

Issuance of 21,480,000 ordinary shares of RM0.25 each together with 5,370,000 free detachable warrants on the basis of one (1) free detachable warrant for every four (4) new ordinary shares of RM0.25.

5. SHARE CAPITAL *cont'd*

(c) Pursuant to the PCDRS, the Company has make the following issuance: *cont'd*

(iii) Debt settlement

Issuance of 69,534,500 ordinary shares of RM0.25 each at an issue price of RM0.25 per share together with 17,383,625 free detachable warrants on the basis of one (1) free detachable warrant for every four (4) ordinary shares of RM0.25.

The main features of the warrant were as follows:

(i) Each Warrant carries the entitlement to subscribe for one (1) Company Share at the Exercise Price at any time during the Exercise Period, subject to adjustments in accordance with the provisions of the Deed Poll.

(ii) Subject to the adjustments in accordance with the Deed Poll, the exercise price of the Warrants has been fixed at RM0.25 each, being the par value of the Company's Shares.

(iii) The registered holder of the warrants can be exercised at any time during the period commencing from and including the date of issue of the Warrants and up to and including the Expiry Date.

(iv) The Warrants shall expire at 5.00p.m. on 19.11.2019. Any Warrants which have not been exercised will lapse and cease thereafter to be valid for any purpose.

During the financial year, no warrants were executed. The outstanding number of warrants as at 31 December 2009 was 70,760,472.

6. SHARE PREMIUM

	Group and Company	
	2009	**2008**
	RM	**RM**
Non distributable:-		
At beginning of financial year	873,000	873,000
Capital reduction	(873,000)	-
At end of financial year	-	873,000

Notes to the Financial Statements

31 December 2009

cont'd

7. FINANCE LEASE PAYABLES

	Group	
	2009	2008
	RM	RM
Payable within 1 financial year	38,040	38,040
Payable after 1 financial year but not later than 5 financial years	50,388	97,717
	88,428	135,757
Less: Interest in suspense	(10,803)	(17,433)
	77,625	118,324
Present value of finance lease payables		
- within 1 financial year	35,383	33,383
- after 1 financial year but not later than 5 financial years	42,242	84,941
	77,625	118,324

8. DEFERRED TAX LIABILITIES

	Group	
	2009	2008
	RM	RM
At beginning of financial year	201,000	201,000
Recognised in income statements (Note 22)	(67,000)	-
At end of financial year	134,000	201,000

The balance in the deferred tax liabilities are made up of tax effect of temporary differences arising from:-

	Group	
	2009	2008
	RM	RM
Excess of property, plant and equipment's carrying amount over its tax base	225,000	276,000
Unabsorbed tax losses	(9,000)	(14,000)
Unutilised capital allowances	(82,000)	(61,000)
	134,000	201,000

8. DEFERRED TAX LIABILITIES *cont'd*

As at balance sheet date, the Group and the Company has deferred tax assets not recognised in the financial statements as follows:-

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Tax effects of:				
- excess of property, plant and equipment's carrying amount over its tax bases	336,000	705,300	-	1,100
- unabsorbed tax losses	(5,159,000)	(5,981,000)	(109,100)	(111,000)
- unutilised capital allowances	(386,200)	(738,000)	(16,800)	(17,000)
- others	(298,800)	(313,000)	-	-
	(5,508,000)	(6,326,700)	(125,900)	(126,900)

The potential deferred tax assets of the Group and of the Company have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the respective subsidiary companies and the Company can utilise the benefits.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Plant and machinery	Motor vehicles	Office furniture, fittings and equipment	Building in progress	Total
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Cost						
Balance as at 1 January 2008	11,472,161	12,880,320	455,380	823,038	322,557	25,953,456
Additions	8,024	13,700	-	2,085	-	23,809
Disposal	(653,468)	(74,430)	(166,283)	-	-	(894,181)
Written-off	-	(9,519)	-	-	-	(9,519)
Assets reclassified as held for sale	-	-	-	(27,142)	(322,557)	(349,699)
Balance as at 31 December 2008	10,826,717	12,810,071	289,097	797,981	-	24,723,866
Addition	16,884	23,140	-	850	-	40,874
Disposal	-	(40,950)	-	-	-	(40,950)
Written-off	-	-	-	(296)	-	(296)
Balance as at 31 December 2009	10,843,601	12,792,261	289,097	798,535	-	24,723,494

Notes to the Financial Statements
31 December 2009
cont'd

9. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group	Buildings RM	Plant and machinery RM	Motor vehicles RM	Office furniture, fittings and equipment RM	Building in progress RM	Total RM
Accumulated depreciation						
Balance as at 1 January 2008	2,219,133	9,245,357	324,989	774,091	-	12,563,570
Charge for the financial year	231,520	507,519	68,393	25,856	-	833,288
Disposal	(163,601)	(57,915)	(142,727)	-	-	(364,243)
Written-off	-	(7,573)	-	-	-	(7,573)
Assets reclassified as held for sale	-	-	-	(18,998)	-	(18,998)
Balance as at 31 December 2008	2,287,052	9,687,388	250,655	780,949	-	13,006,044
Charge for the financial year	219,970	438,239	35,157	12,086	-	705,452
Disposal	-	(29,070)	-	-	-	(29,070)
Written-off	-	-	-	(296)	-	(296)
Balance as at 31 December 2009	2,507,022	10,096,557	285,812	792,739	-	13,682,130
Net book value						
31.12.2009	8,336,579	2,695,704	3,285	5,796	-	11,041,364
31.12.2008	8,539,665	3,122,683	38,442	17,032	-	11,717,822

9. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Company	Office, furnture, fittings and equipment RM	Motor vehicle RM	Total RM
Cost			
Balance as at 1 January 2008/31 December 2008	330,026	3,773	333,799
Additions	-	-	-
Balance as at 31 December 2009	330,026	3,773	333,799
Accumulated depreciation			
Balance as at 1 January 2008	320,504	3,773	324,277
Charge for the financial year	5,284	-	5,284
Balance as at 31 December 2008	325,788	3,773	329,561
Charge for the financial year	2,763	-	2,763
Balance as at 31 December 2009	328,551	3,773	332,324
Net book value			
31.12.2009	1,475	-	1,475
31.12.2008	4,238	-	4,238

Group

(a) Net book value of property, plant and equipment held under hire purchase arrangements are as follows:-

	Group 2009 RM	2008 RM
Motor vehicles	-	58,713

10. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2009 RM	Company 2008 RM
Unquoted shares, in Malaysia		
At cost	46,780,002	46,780,002
Less: Impairment loss	(34,988,741)	(34,988,741)
	11,791,261	11,791,261
At valuation in financial year 1993	15,085,989	15,085,989
Less: Impairment loss	(13,132,252)	(13,132,252)
	1,953,737	1,953,737
	13,744,998	13,744,998

A detailed list of subsidiary companies is as follows:-

Name of company	% Effective interest 2009	% Effective interest 2008	Principal activities	Country of incorporation
Harvest Court (M) Sdn. Bhd	100	100	Sawmilling and marketing of sawn timber (Ceased operations)	Malaysia
Harvest Court Marketing Sdn. Bhd.	100	100	Marketing of timber doors and other related products (Ceased operations)	Malaysia
Harvest Lumber Sdn. Bhd.	100	100	Manufacturing and marketing of timber doors and other related products	Malaysia
Harvest Court Corporation Sdn. Bhd.	100	100	Manufacturing and marketing of timber doors and other related products (Ceased operations)	Malaysia
Harvest Exporter Sdn. Bhd.	100	100	Sawn timber export and related products (Ceased operations)	Malaysia
Quantum Pro Sdn. Bhd.	100	100	Timber kiln drying	Malaysia
Harvest Court Properties Sdn. Bhd.	100	100	Property development	Malaysia
Harvest Rimba Sdn. Bhd.	98.8	98.8	Property development and jetty operation	Malaysia

10. INVESTMENT IN SUBSIDIARY COMPANIES *cont'd*

A detailed list of subsidiary companies is as follows:- *cont'd*

Name of company	% Effective interest 2009	2008	Principal activities	Country of incorporation
Harvest Court Management Sdn. Bhd.	100	100	Investment holding	Malaysia
Harvest Court Development Sdn. Bhd.	100	100	Construction (Ceased operations)	Malaysia
Harvest Nation Sdn. Bhd.	100	100	Dormant (Ceased operations)	Malaysia
Timbeck (M) Sdn. Bhd.	100	100	Dormant	Malaysia

11. INVENTORIES

	Group 2009 RM	2008 RM
At cost:		
Raw materials	3,626,236	26,595
Work-in-progress	476,372	398,773
Finished goods	382,099	1,794,227
	4,484,707	2,219,595
At net realisable value:		
Work-in-progress	2,268,803	2,768,205
Finished goods	622,423	-
	2,891,226	2,768,205
	7,375,933	4,987,800

12. TRADE RECEIVABLES

	Group 2009 RM	2008 RM
Trade receivables	5,834,383	2,772,111
Less: Allowance for doubtful debts	(440,712)	(411,591)
	5,393,671	2,360,520

12. TRADE RECEIVABLES *cont'd*

The currency exposure profile of the trade receivables is as follows (foreign currency balances are unhedged):

	Group	
	2009	2008
	RM	RM
US Dollar	152,738	515,724

The normal trade credit terms granted by the Company to the trade receivables ranging from 30 days to 120 days.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Other receivables	8,071	76,837	-	35,713
Less: allowance for doubtful debts	(8,071)	-	-	-
	-	76,837	-	35,713
Deposits	110,600	203,976	110,000	197,506
Prepayments	207,416	1,828,833	106,901	1,828,328
	318,016	2,109,646	216,901	2,061,547

14. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

Company

The amount due from/(to) subsidiary companies are unsecured, interest free and have no fixed term of repayment.

15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

The non-current assets classified as held for sale of the Group's balance sheet as at 31 December 2009 are as follows:-

	Group	
	2009	2008
	RM	RM
Land held for development	-	9,621,653
Property, plant and equipment	-	330,701
	-	9,952,354

16. TRADE PAYABLES

Credit terms for trade payables range from 30 days to 120 days.

17. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Other payables	8,748,869	3,107,133	8,476,481	576,387
Accruals	1,988,673	7,405,732	627,689	1,958,793
	10,737,542	10,512,865	9,104,170	2,535,180

18. SHORT TERM BORROWINGS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Secured:				
Al-Bai Bithaman Ajil	310,493	335,493	-	-
Bank overdrafts	-	12,466,842	-	7,143,499
Bankers' acceptances	-	12,130,192	-	-
Export credit refinancing	-	3,982,896	-	3,982,896
Revolving credits	-	3,760,156	-	1,560,156
Term loan	-	6,057,598	-	-
	310,493	38,733,177	-	12,686,551
Unsecured:				
Bank overdrafts	-	1,753,988	-	1,753,988
Bankers' acceptances	-	727,175	-	727,175
	-	2,481,163	-	2,481,163
	310,493	41,214,340	-	15,167,714

Group

(a) The short term borrowings obtained from financial institutions are secured by:-

(i) Term loan - First party first legal charge over a subsidiary company's landed properties, assignment of sales proceeds in respect of a proposed project by a subsidiary company, corporate guarantee by the Company and a letter of understanding from another subsidiary company to meet any debts obligation in the event of default by the said subsidiary company.

Notes to the Financial Statements
31 December 2009
cont'd

18. SHORT TERM BORROWINGS *cont'd*

Group *cont'd*

(a) The short term borrowings obtained from financial institutions are secured by:- *cont'd*

(ii) Al-Bai Bithaman Ajil - Corporate guarantee by the Company and a debenture by way of first fixed charge on the machinery and equipment financed by the bank.

(b) The short term borrowings carry interest at rates ranging from 7.10% to 11.25% (2008: 5.75% to 11.25%) per annum.

The short term borrowings are secured by landed properties of a person connected to a Director and of companies in which a Director have interest, landed properties and negative pledges over other assets of certain subsidiary companies, corporate guarantees executed by the Company and supplemental assignment between the Company, a subsidiary company and licensed banks over leasehold land of a subsidiary company.

Company

(a) Short term borrowings are secured by:-

(i) third party first legal charge over landed properties of a Director and a company in which a Director have interest;
(ii) third party first fixed charge over freehold land of a subsidiary company;
(iii) negative pledge over assets of the Company; and
(iv) supplemental assignment between the Company, a subsidiary company and licensed banks over leasehold land of a subsidiary company.

(b) The short term borrowings are obtained at interest rates ranging from 7.10% to 9.75% (2008: 5.75% to 9.50%) per annum.

All the borrowings except for Al-Bai Bithaman Ajil facility have been settled via the completion of debt restructuring exercise as disclosed in Note 29 to the financial statements.

19. REVENUE

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Sales of goods	9,232,835	7,075,579	-	-

20. EXCEPTIONAL ITEMS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Corporate exercise expenses	1,864,387	-	1,864,387	-
Impairment loss on investment in subsidiary companies	-	-	-	2,242,680
Success fee on waiver of debts	1,342,660	-	1,342,660	-
Success fee on waiver of debts - charged to subsidiary companies	-	-	(1,199,410)	-
Waiver of principal on borrowings	(8,345,309)	-	(4,661,095)	-
Waiver of principal on borrowings allocated to subsidiary companies	-	-	3,770,731	-
Waiver of interest on borrowings	(12,657,849)	-	(921,247)	-
	(17,796,111)	-	196,026	2,242,680

Notes to the Financial Statements

31 December 2009

cont'd

21. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before exceptional items and taxation has been determined after charging/(crediting) amongst other items (excluding exceptional items) the following:-

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Allowance for obsolete inventories	745,130	-	-	-
Allowance for doubtful debts				
- trade	29,121	-	-	-
- non-trade	8,071	-	-	-
Audit fee	59,100	64,100	22,000	22,000
Bad debts written off	28,019	-	5,914	-
Depreciation	705,452	833,288	2,763	5,284
Directors' other emoluments (Note A)	62,000	93,788	14,000	9,300
Impairment loss on land held for development	-	1,624,714	-	-
Interest expenses:				
- bank overdrafts	813,567	1,331,531	461,704	843,104
- bankers' acceptances	985,142	1,533,639	-	126,000
- export credit refinancing	191,933	289,282	191,933	289,282
- finance lease payables				
- current year	6,631	7,724	-	-
- over provision in prior year	(14,304)	-	-	-
- revolving credits	200,807	506,232	-	226,000
- term loan	312,799	356,799	-	-
- others	14,880	1,896	-	-
Property, plant and equipment written off	-	1,946	-	-
Rental of premises	336,950	-	-	-
Interest income:				
- fixed deposits	(31,594)	(11,373)	(2,685)	-
- others	(5,921)	-	-	-
- reimbursement from subsidiary companies	-	-	-	(1,328,386)
Gain on disposal of property, plant and equipment	(8,970)	(330,210)	-	-
Rental income	(41,146)	(150,848)	-	-
Realised loss on foreign exchange	621	-	-	-
Waiver of debts - others	-	(2,727,925)	-	(1,892,853)

21. PROFIT/(LOSS) BEFORE TAXATION *cont'd*

Note A: The details of Directors' remuneration of the Group and of the Company are as follows:-

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Directors of the Company				
Executive Directors				
- Salary	48,000	84,488	-	-
Non-executive Directors				
- Fee	1,500	-	1,500	-
- Others	12,500	9,300	12,500	9,300
	62,000	93,788	14,000	9,300

22. TAXATION

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Malaysian income tax				
- Current year provision	7,227	-	-	-
- (Over)/under provision in prior years	(76,227)	-	78,000	-
	(69,000)	-	78,000	-
Deferred tax:				
Relating to the reversal of temporary differences (Note 8)	(67,000)	-	-	-
	(136,000)	-	78,000	-

Notes to the Financial Statements

31 December 2009

cont'd

22. TAXATION *cont'd*

A reconciliation of income tax expenses applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expenses at the effective tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Profit/(Loss) before taxation	12,025,099	(3,921,925)	(1,183,786)	(715,646)
Income tax at rate of 25% (2008: 26%)	3,006,275	(1,019,701)	(295,947)	(186,069)
Tax effect in respect of :				
Non-allowable expenses	1,803,123	266,545	1,194,846	184,869
Income not subject to tax	(4,050,471)	-	(898,899)	-
Deferred tax assets not recognised in the financial statements	-	753,156	-	1,200
Utilisation of deferred tax assets previously not recognised	(818,700)	-	-	-
Current year income tax expense	(59,773)	-	-	-
(Over)/ under provision in prior years	(76,227)	-	78,000	-
	(136,000)	-	78,000	-

Subject to approval by the tax authorities, the Group and the Company have unabsorbed tax losses, unutilised capital allowance and reinvestment allowance as follow available for offset against future taxable income:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Unabsorbed tax losses	20,402,000	23,959,000	436,000	442,000
Unutilised capital allowance	1,872,000	3,289,000	67,000	67,000
Unutilised reinvestment allowance	1,195,000	1,253,000	-	-

23. EARNING/(LOSS) PER SHARE

(a) Basic earning/(loss) per share

Basic earning /(loss) per share are calculated by dividing the earning/(loss) for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2009	2008
Net earning/(loss) attributable to equity holders of the Company (RM)	12,161,099	(3,921,925)
Weighted average number of ordinary shares in issue	38,666,877	22,669,900
Basic earning/(loss) per share (Sen)	31	(17)

(b) Diluted earning/(loss) per share

The fully diluted earning/(loss) per share is not calculated as the average market price as at 31 December 2009 is lower than the exercise price of warrant, therefore there will be no dilutive effect.

24. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Salary, bonus and wages	797,617	880,571	12,500	63,000
Contribution to defined contribution plan	65,248	62,129	-	-
Other benefits	147,687	65,014	14,000	9,300
	1,010,552	1,007,714	26,500	72,300

25. CONTINGENT LIABILITIES AND OBLIGATION

As at the balance sheet date, the contingent liabilities and obligations are in respect of:-

(a) Guarantees (unsecured)

	Company	
	2009	2008
	RM	RM
Corporate guarantees given to licensed for banking facilities granted to subsidiary companies	310,493	22,704,313

25. CONTINGENT LIABILITIES AND OBLIGATION *cont'd*

(b) Litigation

Company

(i) Legal suit 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.

Having regard to legal advice received and in all circumstances, 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. Accordingly, no provision has been made relating to these claims in the financial statements.

26. RELATED PARTY DISCLOSURES

	2009 RM	2008 RM
Company		
Transactions with subsidiary companies		
Interest reimbursed from subsidiary companies	-	1,328,386
Success fee on waiver of debt charged to subsidiary companies	(1,199,410)	-
Waiver of principal on borrowings allocated to subsidiary companies	3,770,731	-

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

The remuneration of key management personnel is same with the directors' remuneration as disclosed in Note 21 to the financial statements. The Group and the Company have no other members of key management personnel apart from the Board of Directors.

27. SEGMENT REPORTING – GROUP

Primary Segmental Reporting - Business Segments

2009	Timber product manufacturing RM	Construction RM	Property development RM	Investment holding and others RM	Eliminations RM	Consolidated RM
Revenue						
External revenue	6,832,835	2,400,000	-	-	-	9,232,835
Inter-segment revenue	61,111	-	-	-	(61,111)	-
Total segment revenue	6,893,946	2,400,000	-	-	(61,111)	9,232,835
Results						
Segment results	8,385,201	2,116,007	4,607,075	(591,649)	-	14,516,634
Interest income	-	-	34,830	2,685	-	37,515
Finance costs	(1,559,681)	(2,236)	(313,188)	(653,945)	-	(2,529,050)
Profit before taxation						12,025,099
Taxation						136,506
Net profit for the financial year						12,161,099
Assets						
Segment assets	21,462,191	2,406,202	436	14,078,609	-	37,947,438
Tax recoverable	949	-	-	318	-	1,267
Consolidated total assets						37,948,705
Liabilities						
Segment liabilities	2,513,287	1,354,092	189,659	9,055,745	-	13,112,783
Deferred tax liabilities	134,000	-	-	-	-	134,000
Tax payable	439,080	11,651	7,227	131,292	-	589,250
Consolidated total liabilities						13,836,033
Other information						
Capital expenditure on property, plant and equipment	40,874	-	-	5,577,918	-	5,618,792
Depreciation	689,535	12,433	721	2,763	-	705,452

27. SEGMENT REPORTING – GROUP *cont'd*

Primary Segmental Reporting - Business Segments *cont'd*

2008	Timber product manufacturing RM	Construction RM	Property development RM	Investment holding and others RM	Eliminations RM	Consolidated RM
Revenue						
External revenue	7,075,579	-	-	-	-	7,075,579
Inter-segment revenue	134,960	-	-	-	(134,960)	-
Total segment revenue	7,210,539	-	-	-	(134,960)	7,075,579
Results						
Segment results	(55,311)	(11,357)	(443,468)	617,945	-	107,809
Interest income	-	-	11,373	1,328,386	(1,328,386)	11,373
Finance costs	(2,486,568)	(2,174)	(1,396,154)	(1,484,597)	1,328,386	(4,041,107)
Loss before taxation						(3,921,925)
Taxation						-
Net loss for the financial year						(3,921,925)
Assets						
Segment assets	19,015,853	15,781	10,054,925	2,066,811	-	31,153,370
Tax recoverable	949	-	-	318	-	1,267
Consolidated total assets						31,154,637
Liabilities						
Segment liabilities	26,247,823	688,999	8,393,731	17,663,293	-	52,993,846
Deferred tax liabilities	201,000	-	-	-	-	201,000
Tax payable	601,873	-	11,651	150,031	-	763,555
Consolidated total liabilities						53,958,401
Other information						
Capital expenditure on property, plant and equipment	23,809	-	-	-	-	23,809
Depreciation	811,560	12,433	3,435	5,860	-	833,288

27. SEGMENT REPORTING – GROUP *cont'd*

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to the segments as well as those that can be allocated on a reasonable basis. Unallocated item mainly comprise of goodwill.

Segment revenue, expenses and results also include transfers between segments. The prices charged on inter segment transactions are the same as those charged for similar goods to parties outside of the economic entity at arm's length transactions. These transfers are eliminated on consolidation.

The main business segments and respective business activity of each segment of the Group are:-

Business segment	**Business activity**
Timber product manufacturing	Kiln drying, sawmilling, manufacturing of timber doors and related products.
Construction	Contractors in construction works and related maintenance services.
Property development	Development of residential and commercial properties and provision of jetty services.
Investment holding and others	Investment in shares and securities and the provision of marketing and management services.

28. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:-

Group	Less than 1 financial year	1 to 5 financial years	Total	Effective interest rate during the financial year
	RM	RM	RM	%
2009				
Financial assets				
Fixed deposit with a licensed bank	7,002,685	-	7,002,685	2.10
Financial liabilities				
Al-Bai Bithaman Ajil	310,493	-	310,493	8.00
Finance lease payables	35,383	42,242	77,625	3.30 – 5.70
2008				
Financial liabilities				
Bank overdrafts	14,220,830	-	14,220,830	8.00 – 11.25
Bankers' acceptances	12,857,367	-	12,857,367	8.25 – 11.25
Export credit refinancing	3,982,896	-	3,982,896	9.50
Revolving credits	3,760,156	-	3,760,156	7.10 – 11.25
Al-Bai Bithaman Ajil	335,493	-	335,493	8.00
Term loan	6,057,598	-	6,057,598	8.60
Finance lease payables	33,383	84,941	118,234	3.30 – 5.70

Company	Less than 1 financial year	Effective interest rate during the financial year
	RM	%
2009		
Financial assets		
Fixed deposit with a licensed bank	7,002,685	2.10
2008		
Financial liabilities		
Bank overdrafts	8,897,487	8.50 - 9.75
Bankers' acceptances	727,175	8.25 - 8.50
Export credit refinancing	3,982,896	9.50
Revolving credits	1,560,156	7.10 - 7.35

28. FINANCIAL INSTRUMENTS *cont'd*

(b) Credit risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheets.

The Group and the Company has no significant concentration of credit risk with any single counterparty except for an amount owing from one customer which constitute 41% of the total receivables.

(c) Fair value

The carrying amounts of all financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values.

29. SIGNIFICANT EVENTS

During the financial year, the following events have occurred:-

(a) On 31 January 2007, the Company has submitted to the SC and relevant authorities its regularisation plan as follows:-

(i) Proposed share capital reduction pursuant to Section 64(1)(b) of the Companies Act, 1965 involving the reduction of the par value of each existing Harvest Court Industries Berhad ("HCIB") Share from RM1.00 to RM0.25 via the cancellation of RM0.75 of the par value of each HCIB Share of RM1.00 each;

(ii) Proposed reduction of the share premium account of HCIB of up to RM873,000 pursuant to Sections 64(1) and 60(2) of the Act;

(iii) Proposed amendments to the Company's Memorandum and Articles of Association;

(iv) Proposed renounceable rights issue of up to a maximum of 52,820,000 new ordinary shares of RM0.25 each with up to 52,820,000 free detachable warrants in HCIB on the basis of thirty six (36) Rights Shares with thirty six (36) free detachable warrants for every seventeen (17) existing HCIB Shares of RM0.25 each (after the Proposed Share Capital Reduction) held at an indicative issue price of RM0.25 per Rights Share;

(v) Proposed acquisition of four (4) parcels of leasehold industrial land at a total purchase consideration of RM5,370,000 to be satisfied entirely by the issuance of 21,480,000 new HCIB Shares of RM0.25 each at an issue price of RM0.25 per share together with 5,370,000 free detachable warrants on the basis of one (1) free detachable warrant for every four (4) new HCIB Shares of RM0.25 each issued;

(vi) Proposed settlement of debts owing to the Bank Lenders and statutory creditors of HCIB Group amounting up to RM38,691,969 and RM1,431,548 respectively as at 31 December 2005;

(vii) Conditional Joint Venture; and

(viii) Proposed waiver application to the SC from the obligation to undertake a mandatory offer for the remaining HCIB Shares of RM0.25 each not already owned by the substantial shareholders under Practice Note 2.9.1 of the Malaysian Code on Take-Overs And Mergers, 1998.

(The abovementioned are collectively known as "Proposals")

The above proposals had obtained approval from the Ministry of International Trade and Industry ("MITI") on 26 March 2007, SC on 27 April 2007 and 2 August 2007 and the shareholders on 19 December 2007.

29. SIGNIFICANT EVENTS *cont'd*

(a) On 31 January 2007, the Company has submitted to the SC and relevant authorities its regularisation plan as follows:- *cont'd*

On 28 September 2007, the Proposed Rights Issue with Warrants will be adjusted to 49,450,000 Rights Share together with 49,450,000 warrants following the options lapsed in accordance with the provisions of ESOS which reduce the ESOS from 2,276,585 to 684,800 due to non-exercise by the grantee.

Bursa Malaysia Securities Bhd. had vide its letter dated 21 March 2008 approved in principal the following:-

(i) Admission of the Official List and the listing and quotation of up to 72,203,625 new warrants comprising:-

(a) up to 49,450,000 new warrants to be issued pursuant to the Proposed Right Issue with Warrants;

(b) 5,370,000 new warrants to be issued pursuant to the Proposed Land Acquisition; and

(c) 17,383,625 new warrants to be issued pursuant to the Proposed Debt Settlement Scheme.

(ii) Listing up to 212,668,125 new ordinary shares of RM0.25 each comprising:-

(a) up to 49,450,000 new ordinary shares of RM0.25 each to be issued pursuant to the Proposed Right Issue with Warrants;

(b) 21,480,000 new ordinary shares of RM0.25 each to be issued pursuant to the Proposed Land Acquisition;

(c) 69,534,500 new ordinary shares of RM0.25 each to be issued pursuant to the exercise of the Warrants; and

(d) up to 72,203,625 new ordinary shares of RM0.25 each to be issued pursuant to the exercise of the Warrants.

On 25 August 2008, the High Court of Malaya, granted the following orders vide HCIB's Originating Petition no. 26-19-2007:-

(i) the reduction of the capital of HCIB from RM22,669,900 to RM5,667,475; and

(ii) the share premium account of HCIB to be reduced by an amount of RM873,000.

The Debt Restructuring Agreement has been signed with all the banks on 11 December 2008.

On 7 September 2009, the SC has extended the time to implement the proposal to 30 November 2009.

On 1 December 2009, the Company has completed its PCDRS to regularise the financial condition of the Group and no longer triggers any of the criteria under Paragraph 2.1 of Practice Note 17 ("PN17") of the Main Market Listing Requirements. Consequently, the Company has been uplifted from being classified as a PN17 company effective 3 December 2009.

29. SIGNIFICANT EVENTS *cont'd*

(b) On 9 August 2008, Harvest Rimba Sdn Bhd entered into a Sale and Purchase Agreement with Alam Maritim (M) Sdn Bhd ("AMSB") to dispose off all parcel of land situated in the Mukim of Linggi, District of Alor Gajah, State of Melaka for a total consideration of RM7,500,000.

On the same date, the Company had entered into an agreement with AMSB which includes the reimbursement costs for the land filling and other development works for the said land for a cash consideration up to maximum amount of RM2,562,360.

The transaction has been completed during the year.

(c) On 15 December 2009, the Company proposed to undertake a private placement of up to 10% of the issued and paid up capital of the Company ("Proposed Private Placement") and proposed the establishment of new Employees' Share Option Scheme ("ESOS").

The ESOS has been implemented on 23 March 2010 and the implementation date of the Proposed Private Placement has been extended from 15th March 2010 to 15th September 2010.

Group's Landed Properties

Location	Description	Tenure	Area sq. m.	Approximate age (Years)	Net book value	Date of acquisition	Existing use
1. Lot 450, 451 & 452, Jalan Papan Pandamaran Industrial Area 42000 Port Klang Selangor Darul Ehsan	- Main Office - 4 factory buildings - 6 storage yards - 1 packing area - Boiler houses & workshop	Leasehold	36,000	1	4,646,822	2009	Factory and Office
2. Lot 10568, Jalan Papan Pandamaran Industrial Area 42000 Port Klang	- KD Plant and warehouse	Leasehold	4,181	1	867,082	2009	KD Chambers

Analysis of Shareholdings
as at 6 May 2010

AUTHORIZED SHARE CAPITAL	:	RM100,000,000.00
ISSUED AND FULLY PAID-UP CAPITAL	:	RM40,784,811.75
CLASS OF SHARES	:	ORDINARY SHARES OF RM0.25 EACH
VOTING RIGHTS	:	ONE VOTE PER ORDINARY SHARE
NUMBER OF SHAREHOLDERS	:	2,701

DISTRIBUTION OF SHAREHOLDINGS AS AT 6 MAY 2010

Size of shareholdings	No. of shareholders	No. of ordinary shares	%
Less than 100	6	171	0.00
100 to 1,000	715	694,318	0.42
1,001 to 10,000	1,044	5,470,716	3.35
10,001 to 100,000	780	29,962,578	18.37
100,001 to less than 5% of issued shares	152	58,528,297	35.88
5% and above of issued shares	4	68,483,167	41.98
TOTAL	**2,701**	**163,139,247**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 6 MAY 2010

(a) In the Company

		Direct		Indirect	
No.	**Names**	**No. of shares**	**%**	**No. of shares**	**%**
1.	Ng Swee Kiat	8,246,294	5.05	21,511,986	13.19 (A)
2.	Sukhinderjit Singh Muker	31,176	0.02	-	-
3.	Zainuri Bin Zainal	-	-	-	-
4.	Chua Eng Chin	-	-	-	-
5.	Dato' Mohamed Amir Abas Bin Zainal Azim	-	-	-	-

Analysis of Shareholdings

as at 6 May 2010
cont'd

DIRECTORS' SHAREHOLDINGS AS AT 6 MAY 2010 *cont'd*

(b) In Related Corporations

By virtue of his substantial shareholdings in the Company, Ng Swee Kiat is deemed to have interest in the ordinary shares of the following subsidiaries:

		Direct		Indirect	
No.	Name of companies	No. of shares	%	No. of shares	%
1.	Harvest Court Corporation Sdn. Bhd.	-	-	3,000,000	100.00
2.	Harvest Court Development Sdn. Bhd.	-	-	2,200,000	100.00
3.	Harvest Court (M) Sdn. Bhd.	-	-	1,600,000	100.00
4.	Harvest Court Management Sdn. Bhd.	-	-	2,000,000	100.00
5.	Harvest Court Marketing Sdn. Bhd.	-	-	3,000,000	100.00
6.	Harvest Court Properties Sdn. Bhd.	-	-	5,000,000	100.00
7.	Harvest Exporter Sdn. Bhd.	-	-	3,500,000	100.00
8.	Harvest Lumber Sdn. Bhd.	-	-	13,000,000	100.00
9.	Harvest Nation Sdn. Bhd.	-	-	1,200,000	100.00
10.	Harvest Rimba Sdn. Bhd.	-	-	9,880,000	98.80
11.	Quantum Pro Sdn. Bhd.	-	-	4,000,000	100.00
12.	Timbeck (M) Sdn. Bhd.	-	-	2	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE) AS AT 6 MAY 2010

		Direct		Indirect	
No.	Names	No. of shares	%	No. of shares	%
1.	Affin Bank Berhad	31,410,664	19.25	-	-
2.	Paramountvest Sdn. Bhd.	15,560,517	9.54	-	-
3.	Port Klang Jetty Sdn. Bhd.	10,974,500	6.73	-	-
4.	Ng Swee Kiat	8,246,294	5.05	21,511,986	13.19 (A)
5.	Yang Peing Nan	10,537,486	6.46	8,246,294	5.05 (B)
6.	Ng Chuan Seng @ Ng Teck Huat	7,480,894	4.59	14,334,500	8.79 (C)
7.	Ng Swee Keong	612,000	0.38	10,974,500	6.73 (D)

(A) *Indirect interest by virtue of his wife's (Yang Peing Nan) shareholdings in HCIB and his shareholdings in Port Klang Jetty Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.*

(B) *Indirect interest by virtue of her husband's (Ng Swee Kiat) shareholdings in HCIB.*

(C) *Indirect interest by virtue of his shareholdings in Port Klang Jetty Sdn. Bhd. and Wangsa Kinta Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.*

(D) *Indirect interest by virtue of his shareholdings in Port Klang Jetty Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.*

Analysis of Shareholdings
as at 6 May 2010

cont'd

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 6 MAY 2010

	Name	No. of shares held	Percentage
1.	ABB Nominee (Tempatan) Sdn. Bhd. *- Affin Bank Berhad (Loan Recovery)*	31,410,664	19.25
2.	Paramountvest Sdn. Bhd.	15,560,517	9.54
3.	Port Klang Jetty Sdn. Bhd.	10,974,500	6.73
4.	Yang Peing Nan	10,537,486	6.46
5.	ABB Nominee (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Ng Swee Kiat*	8,000,000	4.90
6.	Ng Chuan Seng @ Ng Teck Huat	7,480,894	4.59
7.	Wangsa Kinta Sdn. Bhd.	3,360,000	2.06
8.	Wong Wei Shan	1,791,126	1.10
9.	Dan Yoke Pyng	1,463,800	0.90
10.	Choo Soon Teck	1,020,000	0.63
11.	Lai Kim Lan	956,805	0.59
12.	Lee Chee Ming	944,000	0.58
13.	Chua Choh Wan	886,200	0.54
14.	Mayban Nominees (Tempatan) Sdn. Bhd. *- Jasni Bin Jaal*	850,000	0.52
15.	SJ SEC Nominees (Tempatan) Sdn. Bhd. *- CIMB Bank for Chan Sai Kim*	800,300	0.49
16.	Liow Eng Hin	799,800	0.49
17.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account For Liau Yong Hwa*	700,000	0.43
18.	Su An Lee	672,000	0.41
19.	Ng Swee Keong	612,000	0.38
20.	HLG Nominee (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Yang Sin Tzong*	605,294	0.37
21.	Tan Tuan Neo @ Tan Tuan New	602,000	0.37
22.	Choo Soon Teck	600,000	0.37
23.	Chuah Tiong Pan	565,000	0.35
24.	Choo Chee Choy	530,000	0.32
25.	Mohd Noor Bin Abd Kadir	500,000	0.31
26.	Ooi Lee Peng	475,400	0.29
27.	Affin Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Chung Kin Chuan*	424,000	0.26
28.	Wooi Kheng Choo	400,000	0.24
29.	Lee Ah Quek	400,000	0.24
30.	Wang Nam	400,000	0.24
TOTAL		**104,321,786**	**63.95**

Analysis of Warrants Holdings
as at 6 May 2010

ISSUED SIZE : 70,760,472 10 YEARS DETACHABLE WARRANTS ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS, LAND ACQUISITION AND DEBT SETTLEMENT SCHEME

NUMBER OF WARRANTS HOLDERS : 881

DISTRIBUTION OF WARRANTS HOLDINGS AS AT 6 MAY 2010

Size of shareholdings	No. of warrants holders	No. of warrants	%
Less than 100	12	384	0.00
100 to 1,000	14	10,540	0.02
1,001 to 10,000	337	1,720,417	2.43
10,001 to 100,000	408	18,039,823	25.49
100,001 to less than 5% of issued shares	108	39,189,420	55.38
5% and above of issued shares	2	11,799,888	16.68
TOTAL	**881**	**70,760,472**	**100.00**

DIRECTORS' INTEREST IN WARRANTS AS AT 6 MAY 2010

		Direct		Indirect	
No.	Names	No. of warrants	%	No. of warrants	%
1.	Ng Swee Kiat	167,294	0.24	5,847,286	8.26 (A)
2.	Sukhinderjit Singh Muker	21,176	0.03	-	-
3.	Zainuri Bin Zainal	-	-	-	-
4.	Chua Eng Chin	-	-	-	-
5.	Dato' Mohamed Amir Abas Bin Zainal Azim	-	-	-	-

Analysis of Warrants Holdings

as at 6 May 2010

cont'd

LIST OF SUBSTANTIAL WARRANTS HOLDERS (5% AND ABOVE) AS AT 6 MAY 2010

		Direct		Indirect	
No.	Names	No. of warrants	%	No. of warrants	%
1.	Affin Bank Berhad	7,852,666	11.10	-	-
2.	Harvest Court Holdings (M) Sdn. Bhd.	3,947,222	5.58	-	-
3.	Ng Swee Kiat	167,294	0.24	5,847,286	8.26 [(A)]
4.	Ng Chuan Seng @ Ng Teck Huat	1,362,494	1.93	6,687,222	9.45 [(B)]
5.	Ng Swee Keong	-	-	5,847,222	8.26 [(C)]
6.	Hoe Geok Kheng	-	-	5,309,716	7.50 [(D)]

[(A)] *Indirect interest by virtue of his wife's (Yang Peing Nan) warrants holdings in HCIB and his interests in Port Klang Jetty Sdn. Bhd. and Harvest Court Holdings (M) Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.*

[(B)] *Indirect interest by virtue of his interests in Harvest Court Holdings (M) Sdn. Bhd., Port Klang Jetty Sdn. Bhd. and Wangsa Kinta Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.*

[(C)] *Indirect interest by virtue of his interests in Port Klang Jetty Sdn. Bhd. and Harvest Court Holdings (M) Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.*

[(D)] *Indirect interest by virtue of her husband's (Ng Chuan Seng @ Ng Teck Huat) warrants holdings in HCIB and her interests in Harvest Court Holdings (M) Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.*

LIST OF TOP 30 WARRANTS HOLDERS/DEPOSITORS AS AT 6 MAY 2010

	Name	No. of warrants held	Percentage
1.	ABB Nominee (Tempatan) Sdn. Bhd. *- Affin Bank Berhad (Loan Recovery)*	7,852,666	11.10
2.	Harvest Court Holdings (M) Sdn. Bhd.	3,947,222	5.58
3.	Dan Yoke Pyng	3,185,300	4.50
4.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *- CIMB Bank For Pek Kiam Kek*	2,500,000	3.53
5.	Port Klang Jetty Sdn. Bhd.	1,900,000	2.69
6.	Ng Chuan Seng @ Ng Teck Huat	1,362,494	1.93
7.	Pek Kiam Kek	1,151,000	1.63
8.	TA Nominees (Asing) Sdn. Bhd. *- Pledged Securities Account for Charles Ross Mckinnon*	1,000,000	1.41
9.	Tan Cheng	1,000,000	1.41
10.	Lai Kim Lan	922,005	1.30
11.	Helen Yong	900,000	1.27
12.	Wangsa Kinta Sdn. Bhd.	840,000	1.19
13.	Wooi Kheng Choo	800,000	1.13
14.	See Eau Teong	650,000	0.92
15.	Chew Kim Ying	646,800	0.91

Analysis of Warrants Holdings

as at 6 May 2010
cont'd

LIST OF TOP 30 WARRANTS HOLDERS/DEPOSITORS AS AT 6 MAY 2010 *cont'd*

Name	No. of warrants held	Percentage
16. Wong Kok Sin	560,000	0.79
17. Wong Wei Shan	546,026	0.77
18. Azizah Binti Ismail	500,000	0.71
19. Kew Yuen Ching	500,000	0.71
20. Chong Ching Yau @ Chong Chin You	475,000	0.67
21. Soon Kee Seng	440,000	0.62
22. Tan Kok Keng	422,900	0.60
23. Phoo Yoke Lin	410,000	0.58
24. Public Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Chai Poh*	407,000	0.58
25. Ong Cheok Leng	400,000	0.57
26. Lee Chee Leong	390,000	0.55
27. JF Apex Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Lau Yew Keong*	390,000	0.55
28. HLG Nominee (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Yang Sin Tzong*	375,294	0.53
29. Foo Kok Seng	350,000	0.49
30. Mayban Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account For Ho Chwee Lan*	350,000	0.49
TOTAL	**35,173,707**	**49.71**

Electronic Dividend Payment (e-Dividend)

7 June 2010

Dear shareholders,

IMPLEMENTATION OF ELECTRONIC DIVIDEND PAYMENT ("eDIVIDEND") PURSUANT TO THE DIRECTIVE DATED 19 FEBRUARY 2010 (REF. NO.:SR/TAC/RO/LD07/10) FROM BURSA MALAYSIA SECURITIES BERHAD

WHAT IS eDIVIDEND?

Electronic Dividend Payment or eDividend refers to the payment of cash dividends by a listed issuer to its shareholders by directly crediting the shareholders' cash dividend entitlements into their respective bank accounts. All listed companies to pay via eDividend for all dividends on the entitlement date on or after 1 September 2010.

eDIVIDEND BENEFITS

➢ No More Delays	From 3-14 days via cheques to 0/1 day via eDividend to receive dividend payment.
➢ Assurance of Certainty	Dividends credited into bank accounts on a timely basis whether Kuala Lumpur or outstation. No more missing cheques/expired cheques. No unclaimed moneys.
➢ Convenience and Simplicity	No more visits to banks to deposit cheques. Can opt one (1) bank account for all CDS accounts. Same bank account applies for future new CDS accounts.
➢ eNotification upon Payment	For shareholders who provide email and mobile details.
➢ No Cost to Shareholders	No bank charges on dividend amount. No depository administration fee for registration within grace period.

REGISTRATION OF eDIVIDEND

Shareholders are given a one-year grace period from **19 April 2010 until 18 April 2011** to provide their bank account information to Bursa Malaysia Depository Sdn. Bhd..

HOW DO I PROVIDE MY BANK ACCOUNT INFORMATION FOR eDIVIDEND?

You must complete the relevant prescribed form and submit it together with the required supporting documents to your stock broker's office where your CDS account is maintained.

WHAT SUPPORTING DOCUMENTS ARE REQUIRED?

Individual CDS Depositor	◆ NRIC or Passport or Authority Card or other acceptable identification documents. ◆ Bank Statement or Bank Saving Book or details of your bank account obtained from your bank's website that has been certified by your bank or copy of the letter from your bank confirming your bank account details.
Corporate CDS Depositor	◆ Certified true copy of Certificate of Incorporation/Certificate of Registration. ◆ Certified true copy of Bank Statement or Bank Saving Book or details of your bank account obtained from your bank's website that has been certified by your bank or copy of the letter from your bank confirming your bank account details.

You are encouraged to update your bank account information through your stock broker firm soonest. There will be a fee charged after the grace period.

CONTACT DETAILS

For more information, kindly refer to the eDividend page at www.bursamalaysia.com

For queries, please contact:

Bursa Malaysia Customer Care Centre
Tel : (603) 27320067
Email : edividend@bursamalaysia.com

Notice of Nomination of Auditors

ANNEXURE I

NG SWEE KIAT
No. 209 Jalan Ladang
Palm Grove, 41200
Klang, Selangor

20 May 2010

The Board of Directors
HARVEST COURT INDUSTRIES BERHAD
Lot 450, Jalan Papan
Pandamaran Industiral Area
42000 Port Klang
Selangor Darul Ehsan

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, being a shareholder of Harvest Court Industries Berhad ("the Company"), hereby given notice of our intention to nominate Messrs. UHY (formerly known as Messrs. UHY Diong) for appointment as auditors of the Company in place of the retiring auditors, Messrs. SJ Grant Thornton and propose that the following ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company:-

"THAT Messrs. UHY (formerly known as Messrs. UHY Diong) be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs SJ Grant Thornton, and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to determine their remuneration."

Thank you,

Yours faithfully,

....

NG SWEE KIAT
Shareholder

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

No. of Ordinary Shares Held

FORM OF PROXY

(Before completing this form please refer to the notes below)

I/We ____NRIC No./Passport No./Company No. ____________________
(Full name in block letters)

of ____
(Full address)

being a member(s) of HARVEST COURT INDUSTRIES BERHAD (36998 T) hereby appoint:- _________________________

____ NRIC No. / Passport No.: __________________
(Full name in block letters)

of ____
(Full address)

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Thirty Second Annual General Meeting of the Company to be held at the Lot 450, Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan on Monday, 28 June 2010 at 11.00 a.m. and at any adjournment thereof in the manner as indicate below:-

RESOLUTION	FOR	AGAINST
Resolution 1 – Re-election of Director, En. Zainuri Bin Zainal		
Resolution 2 – Re-election of Director, Dato' Mohamed Amir Abas Bin Zainal Azim		
Resolution 3 – Appointment of the Messrs. UHY (formerly known as Messrs. UHY Diong) as Auditors		
Resolution 4 – Authority to Issue Shares		

(Please indicate with an "x" in the space provided above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain from voting at his/her discretion).

Dated this _______________ day of ________________2010

____
Signature of shareholder(s)/Common Seal

** Strike out whichever is not desired.*

Notes :-

1. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Act shall not apply to the Company.*
2. *Where a member appoints more than one proxy to attend the same meeting, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*
3. *Where a member is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorized.*
5. *The Form of Proxy must be deposited at the Registered Office of the Company at Lot 450, Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

FOLD THIS FLAP FOR SEALING

THEN FOLD HERE

AFFIX
STAMP

The Secretary
HARVEST COURT INDUSTRIES BERHAD (36998-T)
Lot 450, Jalan Papan
Pandamaran Industrial Area
42000 Port Klang
Selangor Darul Ehsan

1ST FOLD HERE