HARVEST COURT INDUSTRIES BERHAD
(36998-T)

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ANNUAL REPORT 2010

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(36998-T)

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VISION STATEMENT

To be recognised as the premier integrated Door Manufacturer in Malaysia.

MISSION STATEMENT

Through a culture of Teamwork and Innovation, we shall strive to provide customers with quality products in a timely manner, generating wealth to our employees and shareholders.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman
Dato' Mohamed Amir Abas Bin Zainal Azim

Managing Director
Ng Swee Kiat

Independent Non-Executive Directors
Sukhinderjit Singh Muker
Zainuri Bin Zainal
Chua Eng Chin

AUDIT COMMITTEE

Chua Eng Chin *(Chairman)*
Dato' Mohamed Amir Abas Bin Zainal Azim
Sukhinderjit Singh Muker
Zainuri Bin Zainal

REMUNERATION COMMITTEE

Sukhinderjit Singh Muker *(Chairman)*
Ng Swee Kiat
Chua Eng Chin

NOMINATION COMMITTEE

Sukhinderjit Singh Muker *(Chairman)*
Zainuri Bin Zainal
Chua Eng Chin

ESOS COMMITTEE

Ng Swee Kiat *(Chairman)*
Chua Eng Chin
Haw Su Peng

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) 3165 2218

SHARE REGISTRAR

MEGA CORPORATE SERVICES SDN BHD
Level 15-2, Sheraton Imperial Court
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel No.: (603) 2692 4271
Fax No.: (603) 2732 5388

PRINCIPAL BANKERS

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

AUDITORS

UHY (AF1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

SOLICITORS

Lovelace & Hastings
Law Practice of Rafique

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : HARVEST
Stock Code : 9342

WEBSITE

http://www.harvestcourt.com

EMAIL ADDRESS

hvest99@gmail.com (Marketing)
hvest99@yahoo.com (Management)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Third Annual General Meeting of the Company will be held at Lot 450 Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan on Monday, 20 June 2011 at 3.00 p.m. to transact the following businesses:-

1. To receive the audited financial statements for the year ended 31 December 2010 together with the Directors' and Auditors' Reports thereon. **Please refer to Note A.**

2. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:-
   - Mr Ng Swee Kiat (Article 97) ***Resolution 1***
   - Mr Chua Eng Chin (Article 97) ***Resolution 2***

3. To approve the payment of Directors' fees of RM28,000.00 to non-executive directors of the Company for the financial year ended 31 December 2010. ***Resolution 3***

4. To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Resolution 4***

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

5. **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 5***

By order of the Board,

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

Port Klang, Selangor Darul Ehsan
27 May 2011

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.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

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

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. 5 is a renewal of the mandate given to the Company by the shareholders at the previous Annual General Meeting held on 28 June 2010, 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 the time being excluding the number of ordinary shares arising from the exercise of Employees' Share Option Scheme (ESOS), 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.

During the financial year ended 31 December 2010, 8,543,126 new ordinary share of RM0.25 each in the Company were issued via private placement pursuant to the mandate granted to the Company at the Thirty Second Annual General Meeting held on 28 June 2010. The proceeds amounting to RM2,135,781.50 arising from the issuance of 8,543,126 new shares is mainly for working capital and capital expenditure requirements of the Group.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Thirty Third Annual General Meeting of the Company are:-

(i)	Mr Ng Swee Kiat	Article 97	(Resolution 1)
(ii)	Mr Chua Eng Chin	Article 97	(Resolution 2)

The profile of the above Directors are set out on pages 5 and 6 of the Annual Report 2010. The details of the interest of the above Directors in the securities of the Company or its related corporations are disclosed in the Directors' Report on pages 23 and 24 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 9 of the Annual Report 2010.

The Thirty Third Annual General Meeting of the Company will be held at Lot 450 Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan on Monday, 20 June 2011 at 3.00 p.m.

Dato' Mohamed Amir Abas Bin Zainal Azim – ***Independent Non-Executive Chairman***

Dato' Mohamed Amir Abas Bin Zainal Azim, a Malaysian, aged 61, is a corporate Member of the British Institute of Management (MBIM) and also a Fellow of the Institute of Directors (F. Inst. D.). Dato' Amir started work as an Accountant with ESSO Malaysia Berhad. Following which, he gained further business and corporate experiences in senior management positions in corporations such as Perbadanan Nasional Berhad, Ayer Hitam Tin Dredging (M) Berhad, Olympia Industries Berhad, and Proton Edar Sdn Bhd. Currently he runs his own business and is a Director of a few private companies.

Dato' Amir was appointed to the Board of Harvest Court Industries Berhad ("HCIB") on 1 July 2009. Subsequently on 22 July 2010, he was redesignated as Independent Non-Executive Chairman. Presently he is a member of the Audit Committee of HCIB.

Dato' Amir does not hold directorships in any other public companies.

Dato' Amir attended all six Board meetings of HCIB held during the financial year ended 31 December 2010.

Dato' Amir 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.

Ng Swee Kiat – ***Managing Director***

Mr Ng Swee Kiat, a Malaysian, aged 56, 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 30 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 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. Subsequently on 22 July 2010, Mr Ng resigned as Chairman of the Company. 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 six Board meetings of HCIB held during the financial year ended 31 December 2010.

Mr. Ng holds 8,246,294 shares in HCIB and he also has an indirect interest of 20,591,986 shares in HCIB by virtue of his interest in Port Klang Jetty Sdn Bhd, a substantial shareholder of HCIB and his spouse's shareholding in HCIB.

Sukhinderjit Singh Muker – ***Independent/Non-Executive Director***

Mr. Sukhinderjit Singh Muker, a Malaysian, aged 64, was appointed to the Board of HCIB on 18 July 1994. Mr. Muker obtained a degree in 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 five out of six Board meetings of HCIB held during the financial year ended 31 December 2010.

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

DIRECTORS' PROFILE

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Zainuri Bin Zainal – ***Independent/Non-Executive Director***

En. Zainuri Bin Zainal, a Malaysian, aged 38, had 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. He was a Majlis Perbandaran Klang Councilor from 2006 to 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 attended all six Board meetings of HCIB held during the financial year ended 31 December 2010.

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 52, 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 being qualified as a Chartered Accountant in 1984, he started his career in an accounting firm where he specialises 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 Tiger Synergy Berhad.

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

Mr. Chua attended all six Board meetings of HCIB held during the financial year ended 31 December 2010.

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.

Noted :

All the Board members have no conflict of interest with HCIB and have not committed any offences within the past ten (10) years other than 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 2010.

1. FINANCIAL PERFORMANCE

For the financial year ended 31 December 2010, the Group recorded a turnover of RM6,427,872, 30.38% lower than that of the previous financial year. The lower turnover was mainly due to lower sales volume due to upgrading of machineries exercise, inefficiency of new workers and new designs requested by customers. Upgrading the machineries is necessary to cater for our higher sales volume and time needed to train up new workers and produce new designs.

2. INDUSTRY TREND AND DEVELOPMENT

The Malaysian economy has recovered strongly from the recent global recession. Timber product exports increased by about 10% compared to last year because wholesalers of timber products and furniture makers aboard were restocking their inventories.

The continuing strong demand from India has pushed our timber prices higher. India's demand may be attributed to a steady rise in corporate capital expenditure for most part of 2010 and is expected to continue into 2011. The tight supply of logs due to abnormal high rainfall of late has also pushed up log prices.

Prices of plywood from Sarawak surged 8% to 14% in 2010 on the back of sustained demand from Japan, South Korea and Taiwan. With the continuing shortages of raw materials and with the start of Japan housing in 2011, Sarawak Timber Association ("STA") predicts a 15% upside in plywood prices this year compared with over 10% increase in prices last year. Analysts also believe that the 8.9-magniture earthquake which struck off Japan's north eastern coast would require higher timber demand for rebuilding purposes.

Adopting state-of-the art technologies and investing in R&D to reduce reliance on foreign contract workers and encouraging the use of alternative materials such as biomass would drive the country's export sales to reach the RM53 billion targets as set by the National Timber Industry Policy ("NATIP") by 2020. At the same time, however, the nation must create an enabling environment which encourages productivity, competitiveness and innovation to reduce heavy reliance on external trade which make the nation highly vulnerable to external shocks in line with the 10th Malaysia Plan.

(www.globalwood.org/news/news.asp & 10th Malaysia Plan 2011-2015)

3. OPERATIONAL OVERVIEW

In 2010 the Group's timber division remains as the major contributor to the Group's performance and is expected to do so again in 2011 since all major machineries are put in place and operational in December 2010.

4. PROSPECTS

The Group is expected to register higher profitability for the year 2011. More contracts received from customers from Dubai and India will definitely push sales to a higher level in 2011. From our core timber business, we continue to display good quality and service enhancements. The business plan remains to improve efficiency in its processes and effectiveness in cost containment measures with the view to improve the overall structure and profit margin.

5. CORPORATE SOCIAL RESPONSIBILITY

The Group recognises 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 premise for Drug Rehabilitation and Industrial Training Centre with effect from 2010.

CHAIRMAN’S STATEMENT

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6. 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.

Dato’ Mohamed Amir Bin Zainal Azim
Independent Non-Executive Chairman

Date: 27 May 2011
Port Klang, Selangor Darul Ehsan

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 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 of 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 the 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 Six (6) Board of Directors' Meetings held during the financial year ended 31 December 2010. Details of the attendance of the Directors at the Board of Directors' Meetings are as follow:

	Name of Director	Attendance
(a)	Dato' Mohamed Amir Abas Bin Zainal Azim	6/6
(b)	Mr. Ng Swee Kiat	6/6
(c)	Mr. Sukhinderjit Singh Muker	5/6
(d)	Mr. Zainuri Bin Zainal	6/6
(e)	Mr. Chua Eng Chin	6/6

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 2010. They reviewed the balance composition of the Board. The Committee was satisfied with the balanced skills and expertise of the Board members.

The Nomination Committee comprises of 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
Dato' Mohamed Amir Abas Bin Zainal Azim	20 January 2010	Corporate Governance
	19 June 2010	One Day Workshop Programme for Board of Directors and Senior Management
	11 November 2010	Forum Integriti Tadbir Urus Korporat : Pembudayaan & Pematuhan Etika Korporat Ke Arah Merealisasikan Agenda Ekonomi Negara
Ng Swee Kiat	20 January 2010	Corporate Governance
	21 January 2010	The Challenges of Implementing FRS 139
	26 January 2010	Properties Transactions & Corporate Restructuring
	19 June 2010	One Day Workshop Programme for Board of Directors and Senior Management
	3 September 2010	Inspiration Ministries
Sukhinderjit Singh Muker	19 June 2010	One Day Workshop Programme for Board of Directors and Senior Management

A. DIRECTORS *cont'd*

5. Directors' Training *cont'd*

Name of Director	Date	Courses attended
Chua Eng Chin	19 June 2010	One Day Workshop Programme for Board of Directors and Senior Management
	22 May 2010	Economics and Capital Markets II : Macroeconomic Analytics - Clues to the Future
	23 May 2010	Essentials of Fundamental Analytics II : Creating a Framework for Sector Analysis
Zainuri Bin Zainal	19 June 2010	One Day Workshop Programme for Board of Directors and Senior Management

6. Re-election

The procedure on re-election of directors by rotation is set out in 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. All Directors shall retire from office at least once in every three (3) 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 General Meeting, Mr. Ng Swee Kiat and Mr. Chua Eng Chin will retire by rotation pursuant to Articles 97. 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.

2. Disclosure

The aggregate remuneration of Directors for the financial year ended 31 December 2010 is as follow:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Salary	48,000	-
Others	-	16,200
Directors' fee	-	28,000
Total	48,000	44,200

CORPORATE GOVERNANCE STATEMENT

cont'd

B. DIRECTORS' REMUNERATION *cont'd*

2. Disclosure *cont'd*

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	-	-

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 follow:-

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 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 at http://www.harvestcourt.com.

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 discussions 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.

D. ACCOUNTABILITY AND AUDIT *cont'd*

3. Relationship with Auditors

The External Auditors, Messrs UHY 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 and 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 2010, 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 2010, with the principles and best practices as set out in the Code.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") COMMITTEE

The ESOS Committee was established on 8 March 2010. Its main responsibility is to oversee the administration as well as to ensure proper implementation of the ESOS according to the By-Laws of the ESOS.

The ESOS Committee comprises of three (3) members, namely Mr. Ng Swee Kiat, Mr. Chua Eng Chin and Ms. Haw Su Peng.

The ESOS Committee meets whenever necessary. During the year, the ESOS Committee had six (6) meetings with full attendance by all the members.

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 member 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 programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

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

2. TERMS OF REFERENCE *cont'd*

2.4 Duties and Responsibilities *cont'd*

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 2010, the audit committee held five (5) meetings. Details of the attendance of committee members were as follow:-

Member	Attendance
Mr. Chua Eng Chin	5/5
Mr. Sukhinderjit Singh Muker	4/5
Zainuri Bin Zainal	4/5
Dato' Mohamed Amir Abas Bin Zainal Azim	5/5

The external auditor shall meet the Audit Committee if there are contentious issues to be discussed. The Company Secretary attended all the Audit Committee 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 2010 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 exercised
- 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. STATEMENT ON EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")

The Audit Committee has verified and was satisfied that the allocation of ESOS Options to the eligible employees of the HCIB Group during the financial year ended 31 December 2010, were in accordance with the criteria of allocation of share options set out in the ESOS By-Laws.

6. INTERNAL AUDIT FUNCTIONS

The Company has established its in-house Internal Audit Division with effect from 4 June 2008. It 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 function 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.

6. INTERNAL AUDIT FUNCTIONS *cont'd*

The internal audit covers 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 2010 is RM52,100.

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 summarised as follow:-

- 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 Group's Managing Director 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.
- 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.
- Adequate insurance coverage of major assets to prevent material losses to the Group against any mishap.
- Regular inspections of operations are performed by members of the senior management team.
- Regular management meetings are conducted and chaired by the Group's Managing Director. Relevant progress and reports are presented for review and discussion.

The Board recognises that the system of internal control must continuously improve in line with the Group's 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 19 December 2007 have been duly implemented in December 2009. The proceeds raised from the corporate exercise were utilised as follows:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000
Settlement of statutory debts	1,685	1,685	0
Repayment of bank borrowings	1,351	1,351	0
Investment in joint venture	2,000	365	1,635 *
Working capital	5,389	5,389	0
Estimated expenses for the Proposals	1,577	1,577	0
Total	12,002	10,367	1,635

Note :

* *The Company had on 25 February 2011 and 1 March 2011 announced to Bursa Securities that the Company has not commenced with the JV Concession in Sarawak.*

As at 30 April 2011, the Company has utilised RM10.367 million out of the total proceeds raised from the corporate exercise of RM12.0 million.

The RM2,135,781.50 proceeds raised from the private placement exercise of 8,543,126 new ordinary shares of RM0.25 each in the Company ("Placement Shares") at an issue price of RM0.25 each has been utilised 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

The Company had on 23 March 2010 implemented the ESOS for a period of five (5) years expiring on 22 March 2015. The ESOS is governed by the By-Laws which were approved by its shareholders on 3 March 2010. During the financial year ended 31 December 2010, 1,688,000 share options were exercised at an exercise price of RM0.25 each by the employees of HCIB pursuant to ESOS.

4. DEPOSITORY RECEIPT PROGRAMMES

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

5. IMPOSITION OF SANCTIONS/PENALTIES

During the financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies.

6. NON-AUDIT FEES

There were no non-audit fees paid to the external auditors by the Company and its subsidiary companies during the financial year.

OTHER DISCLOSURE REQUIREMENTS

PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

cont'd

7. VARIANCE IN RESULTS, PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company had on 25 February 2011 announced that the Group's unaudited loss after taxation of RM2.82 million for the financial year ended 31 December 2010 was deviated by 164.45% from the projected profit after taxation of RM4.37 million contained in the Abridged Prospectus of the Company dated 26 October 2009 in conjunction with the Rights Issue together with Free Warrants. The major contributing factor to the said variance was due to the non-commencement of the Joint Venture Agreement with Messrs. Laing Huan dan Rakan. At the same time, the lower revenue was also due to lower sales volume for the year 2010.

8. PROFIT GUARANTEE

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

9. 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.

10. 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.

11. REVALUATION POLICY ON LANDED PROPERTIES

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

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 4 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 loss for the financial year		
- attributable to equity holders of the parent	(2,704,367)	(607,081)

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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 their operations of the Group and of the Company for the current financial year.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the financial year under review.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM40,422,812 to RM42,980,593 by issuance of:

(a) 1,688,000 new ordinary shares of RM0.25 each pursuant to the exercise of options granted under the Company's Employee Share Option Scheme ("ESOS") at the exercise price of RM0.25 each; and

(b) 8,543,126 new ordinary shares of RM0.25 each pursuant to the private placement.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary share of the Company.

There were no issues of debentures during the financial year under review.

WARRANT

The warrants 2009/2019 were constituted under the Deed Poll dated 23 October 2009.

As at 31 December 2010, the total number of warrants that remain unexercised were 70,760,472 (2009: 70,760,472).

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year under review, except for the ESOS.

EMPLOYEES' SHARE OPTION SCHEME

The Company's ESOS was approved by shareholders at the Extraordinary General Meeting on 3 March 2010 and became effective on 23 March 2010 for a period of 5 years, and lapse on 22 March 2015.

The salient features and other terms of the ESOS are disclosed in Note 24 to the financial statements.

The Company has been granted exemption pursuant to Section 169(11) of the Companies Act, 1965 by the Companies Commission of Malaysia from having to disclose the names of option holders, other than Directors, who have been granted options to subscribe for less than 301,600 ordinary shares of RM0.25 each.

The list of employee granted options to subscribe for 301,600 and above ordinary shares of RM0.25 each during the financial year are as follows:

	Option price	**No. of options over ordinary shares of RM0.25 each**			
		At			**At**
	RM	**1.1.2010**	**Granted**	**Exercised**	**31.12.2010**
Albert Soo Quai Meng	0.25	-	342,200	-	342,200
Haw Su Peng	0.25	-	336,100	120,000	216,100
Khoo Chi Yong	0.25	-	406,000	200,000	206,000

Details of the options granted to Directors are disclosed in the section on Directors' Interests of this report.

DIRECTORS

The Directors who served since the date of the last report are follow:

Ng Swee Kiat
Sukhinderjit Singh Muker
Zainuri bin Zainal
Chua Eng Chin
Dato' Mohamed Amir Abas bin Zainal Azim

DIRECTORS' INTERESTS

Details of holdings and deemed interests in the share capital, options and warrants over the shares of the Company or its related corporations by the Directors in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follow:

	No. of ordinary shares of RM0.25 each			
	At 1.1.2010	**Acquired**	**Disposed**	**At 31.12.2010**
Harvest Court Industries Berhad				
Direct interest:				
Ng Swee Kiat	8,246,294	-	-	8,246,294
Sukhinderjit Singh Muker	31,176	-	-	31,176
Deemed interest:				
Ng Swee Kiat[*#α]	33,534,480	-	1,315,500	20,591,986

	No. of option over ordinary shares of RM0.25 each (ESOS)			
	At 1.1.2010	**Granted**	**Exercised**	**At 31.12.2010**
Harvest Court Industries Berhad				
Direct interest:				
Ng Swee Kiat	-	348,000	-	348,000
Sukhinderjit Singh Muker	-	361,900	-	361,900
Zainuri bin Zainal	-	301,600	-	301,600
Chua Eng Chin	-	329,400	-	329,400
Dato' Mohamed Amir Abas bin Zainal Azim	-	250,500	-	250,500

	No. of warrants over ordinary shares of RM0.25 each			
	At 1.1.2010	**Acquired**	**Disposed**	**At 31.12.2010**
Harvest Court Industries Berhad				
Direct interest:				
Ng Swee Kiat	167,294	-	-	167,294
Sukhinderjit Singh Muker	21,176	-	-	21,176
Deemed interest:				
Ng Swee Kiat[*#¤]	8,349,780	-	-	5,847,286

Note:

* *deemed interest by virtue of his spouse's shareholdings/warrant holdings in the Company*

\# *deemed interest by virtue of his shareholdings/warrant holdings of 15% or more in Port Klang Jetty Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965*

α *Ng Swee Kiat had on 8 March 2010 made a declaration that he has no controlling interest in the shareholding of certain family members in any other companies which holding 11,626,994 shares*

¤ *Ng Swee Kiat had on 8 March 2010 made a declaration that he has no controlling interest in the warrant holding of certain family members in any other companies which holding 2,502,494 warrants*

DIRECTORS' INTERESTS *cont'd*

By virture of his interest in the share capital of the Company, Ng Swee Kiat 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.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares and options of the Company or its related corporations during the financial year under review.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in 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, other than those disclosed in Note 21 the financial statements.

Neither during nor at the end of the financial year, was the Company or its subsidiary companies a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those arising from the share options granted under the Harvest Court Industries Berhad ESOS.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) 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

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

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

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

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;

   (iii) any amount stated in the financial statements of the Group and of the Company misleading; and

   (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) No contingent or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the 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 Company or its subsidiary companies to meet their obligations as and when they fall due except those disclosed in Note 28 to the financial statements.

(d) At the date of this report, there does not exist:

   (i) any charge on the assets of the Company and its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person; and

   (ii) any contingent liability in respect of the Company and its subsidiary companies which has arisen since the end of the financial year.

SIGNIFICANT EVENT

The significant event is disclosed in Note 27 to the financial statements.

AUDITORS

The auditors, UHY, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors.

....	)	
NG SWEE KIAT	)	
	)	DIRECTORS
....	)	
CHUA ENG CHIN		

KUALA LUMPUR
28 APRIL 2011

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, NG SWEE KIAT and CHUA ENG CHIN being two of the Directors of HARVEST COURT INDUSTRIES BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 29 to 77 are 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 2010 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 11 to the financial statements have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors.

....

NG SWEE KIAT **CHUA ENG CHIN**

KUALA LUMPUR
28 APRIL 2011

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, NG SWEE KIAT, being the Director primarily responsible for the financial management of HARVEST COURT INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 29 to 77 are to the best of my knowledge and belief, 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 NG SWEE KIAT at)
KUALA LUMPUR in the Federal Territory)
this 28 APRIL 2011)

....

NG SWEE KIAT

Before me,

W 456
ASMAH BT BUROH

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the Members of Harvest Court Industries Berhad
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Harvest Court Industries Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 77.

The financial statements of the Group and of the Company as at 31 December 2009 were audited by another auditor whose reports dated 19 April 2010 expressed an unqualified opinion on the financial statements.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 2010 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 followings:

(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 accounts 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) Our audit reports on the accounts 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
(Incorporated in Malaysia)
cont'd

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 11 is solely disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

UHY
Firm Number: AF 1411
Chartered Accountants

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR
28 APRIL 2011

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM**	**RM**	**RM**	**RM**
Non-Current Assets					
Property, plant and equipment	3	20,177,365	16,619,282	5,323,036	5,579,393
Investment in subsidiary companies	4	-	-	13,744,998	13,744,998
		20,177,365	16,619,282	19,068,034	19,324,391
Current Assets					
Inventories	5	7,859,034	7,375,933	-	-
Trade receivables	6	2,181,615	5,393,671	-	-
Other receivables	7	699,860	318,016	217,342	216,901
Amount owing by subsidiary companies	8	-	-	17,618,750	12,456,294
Tax recoverable		332	1,267	-	-
Fixed deposits with a licensed bank	9	-	7,002,685	-	7,002,685
Cash and bank balances		1,549,169	1,237,851	8,402	1,178,699
		12,290,010	21,329,423	17,844,494	20,854,579
Total Assets		32,467,375	37,948,705	36,912,528	40,178,970
Equity					
Share capital	10	42,980,593	40,422,812	42,980,593	40,422,812
Accumulated losses	11	(19,014,507)	(16,310,140)	(22,120,801)	(21,513,720)
Equity attributable to equity holders of the parent		23,966,086	24,112,672	20,859,792	18,909,092
Non-Current Liabilities					
Hire purchase payables	12	18,058	42,242	-	-
Deferred taxation	13	17,000	134,000	-	-
		35,058	176,242	-	-
Current Liabilities					
Trade payables	14	659,628	1,987,123	-	-
Other payables	15	6,990,334	10,737,542	5,872,344	9,104,170
Amount owing to subsidiary companies	8	-	-	10,084,333	12,047,082
Amount owing to a Director	16	14,913	-	14,913	-
Hire purchase payables	12	17,786	35,383	-	-
Bank borrowing	17	255,493	310,493	-	-
Tax payable		528,077	589,250	81,146	118,626
		8,466,231	13,659,791	16,052,736	21,269,878
Total Liabilities		8,501,289	13,836,033	16,052,736	21,269,878
Total Equity and Liabilities		32,467,375	37,948,705	36,912,528	40,178,970

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

STATEMENTS OF COMPREHENSIVE INCOME

for the Financial Year Ended 31 December 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	18	6,427,872	9,232,835	-	-
Cost of sales		(6,409,416)	(9,788,566)	-	-
Gross profit/(loss)		18,456	(555,731)	-	-
Other operating income		100,222	120,881	55,096	2,685
Administration expenses		(2,420,614)	(2,703,637)	(469,657)	(336,808)
Distribution costs		(386,730)	(121,070)	-	-
Finance costs	19	(5,091)	(2,511,455)	-	(653,637)
Exceptional items	20	(125,195)	17,796,111	(192,520)	(196,026)
(Loss)/Profit before taxation	21	(2,818,952)	12,025,099	(607,081)	(1,183,786)
Taxation	22	114,585	136,000	-	(78,000)
Net (loss)/profit for the financial year, representing total comprehensive income for the financial year		(2,704,367)	12,161,099	(607,081)	(1,261,786)
Net (loss)/profit for the financial year attributable to:					
Equity holders of the parent		(2,704,367)	12,161,099		
Earnings per share attributable to equity holders of the parent (sen):					
Basic	23(a)	(1.61)	31.45		
Fully diluted	23(b)	-	-		

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

STATEMENTS OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2010

		Attributable to Equity Holders of the Parent			
			Non-Distributable		
		Share capital	Share premium	Accumulated losses	Total equity
Group	**Note**	**RM**	**RM**	**RM**	**RM**
At 1 January 2009		22,669,900	873,000	(46,346,664)	(22,803,764)
Capital reduction	10	(17,002,425)	(873,000)	17,875,425	-
Issuance of share pursuant to debts restructuring	10	34,755,337	-	-	34,755,337
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	12,161,099	12,161,099
At 31 December 2009		40,422,812	-	(16,310,140)	24,112,672
At 1 January 2010		40,422,812	-	(16,310,140)	24,112,672
Issuance of share pursuant to ESOS	10	422,000	-	-	422,000
Issuance of share pursuant to private placement	10	2,135,781	-	-	2,135,781
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	(2,704,367)	(2,704,367)
At 31 December 2010		42,980,593	-	(19,014,507)	23,966,086

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

STATEMENTS OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2010
cont'd

			Non-Distributable		
		Share capital	Share premium	Accumulated losses	Total equity
Company	**Note**	**RM**	**RM**	**RM**	**RM**
At 1 January 2009		22,669,900	873,000	(38,127,359)	(14,584,459)
Capital reduction	10	(17,002,425)	(873,000)	17,875,425	-
Issuance of share pursuant to debts restructuring	10	34,755,337	-	-	34,755,337
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	(1,261,786)	(1,261,786)
At 31 December 2009		40,422,812	-	(21,513,720)	18,909,092
At 1 January 2010		40,422,812	-	(21,513,720)	18,909,092
Issuance of share pursuant to ESOS	10	422,000	-	-	422,000
Issuance of share pursuant to private placement	10	2,135,781	-	-	2,135,781
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	(607,081)	(607,081)
At 31 December 2010		42,980,593	-	(22,120,801)	20,859,792

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

STATEMENTS OF CASH FLOWS

for the Financial Year Ended 31 December 2010

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cash Flows From Operating Activities				
(Loss)/Profit before taxation	(2,818,952)	12,025,099	(607,081)	(1,183,786)
Adjustments for:				
Bad debts written-off	-	28,019	-	5,914
Depreciation of property, plant and equipment	903,908	705,452	256,357	2,763
Gain on disposal of property, plant and equipment	(9,419)	(8,970)	-	-
Impairment on trade receivables	106,331	29,121	-	-
Impairment on other receivables	-	8,071	-	-
Allowance for obsolete inventories	-	745,130	-	-
Interest expenses	5,091	2,511,455	-	653,637
Interest income	(55,096)	(37,515)	(55,096)	(2,685)
Unrealised loss on foreign exchange	59,311	-	-	-
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 on payables	(67,325)	-	-	-
Operating loss before working capital changes	(1,876,151)	(4,997,296)	(405,820)	(2,335,768)
Decrease/(Increase) in working capital				
Inventories	(1,742,507)	(3,133,263)	-	-
Trade and other receivables	2,723,881	(1,706,732)	(441)	1,838,732
Trade and other payables	(4,984,178)	(2,287,027)	(3,231,826)	4,157,628
Amount owing by/(to) subsidiary companies	-	-	(7,125,205)	(5,905,263)
Amount owing to a Director	14,913	-	14,913	-
	(3,987,891)	(7,127,022)	(10,342,559)	91,097
Cash used in operations	(5,864,042)	(12,124,318)	(10,748,379)	(2,244,671)
Interest received	55,096	37,515	55,096	2,685
Interest paid	(5,091)	-	-	-
Tax paid	(62,653)	(6,630)	(37,480)	(18,740)
	(12,648)	30,885	17,616	(16,055)
Net cash used in operating activities	(5,876,690)	(12,093,433)	(10,730,763)	(2,260,726)

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

STATEMENTS OF CASH FLOWS

for the Financial Year Ended 31 December 2010

cont'd

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	3	(3,216,366)	(248,792)	-	(207,918)
Proceeds from disposal of property, plant and equipment		-	20,850	-	-
Proceeds from disposal of non-current assets held for sales		-	9,952,354	-	-
Net cash (used in)/from investing activities		(3,216,366)	9,724,412	-	(207,918)
Cash Flows From Financing Activities					
Proceeds from issuance of share capital	10	2,557,781	12,001,712	2,557,781	12,001,712
Repayment of hire purchase payables		(41,781)	(40,699)	-	-
Repayment of bank borrowings		(55,000)	(1,376,684)	-	(1,351,684)
Settlement of bank overdraft		-	14,220,830	-	8,897,487
Net cash from financing activities		2,461,000	24,805,159	2,557,781	19,547,515
Net (decrease)/increase in cash and cash equivalents		(6,632,056)	22,436,138	(8,172,982)	17,078,871
Foreign exchange differences		(59,311)	-	-	-
Cash and cash equivalents at beginning of the financial year		8,240,536	(14,195,602)	8,181,384	(8,897,487)
Cash and cash equivalents at end of the financial year		1,549,169	8,240,536	8,402	8,181,384
Cash and cash equivalents at end of financial year comprises:					
Cash and bank balances		1,549,169	1,237,851	8,402	1,178,699
Fixed deposits with licensed banks		-	7,002,685	-	7,002,685
		1,549,169	8,240,536	8,402	8,181,384

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

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

The Company is a public limited liability company, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia, and is listed on 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

FRS 8	Operating Segments
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment-Vesting Conditions and Cancellations
Amendments to FRS 117	Leases
Amendments to FRS 132	Financial Instruments: Presentation
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to FRS1, First-time Adoption Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements – Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)

The revised FRS are either not applicable to the Group and to the Company or the adoptions did not result in significant changes in accounting policies of the Company and did not have significant impact on the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of preparation *cont'd*

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

		Effective date for financial periods beginning on or after
Amendments to FRS 132	Financial Instruments: Presentation	1 March 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated & Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives		1 July 2010
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1 January 2011
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled "Improvements to FRSs (2010)"		1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for Construction of Real Estate	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012

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

(i) FRS 7 Financial Instruments: Disclosures

This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of preparation *cont'd*

(ii) FRS 123 Borrowing Costs

This new standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

(iii) Amendments to FRS 117: Leases

Amendments to FRS 117 sets out the new requirement where leasehold land which is in substance a finance lease will be reclassified to property, plant and equipment. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and accordingly, has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures have been restated following the adoption of the amendments to FRS 117:

	As at 31 December 2009	
	As restated	**As previously stated**
	RM	**RM**
Statements of Financial Position Carrying amount		
Property, plant and equipment	5,579,393	1,475
Prepaid land lease payments	-	5,577,918

(iv) FRS 139 Financial Instruments: Recognition and Measurement

This new standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

The Group and the Company has applied the transitional provisions in FRS 7 and FRS 139 which exempt entities from disclosing the possible impact arising from initial application of the respective standards on the financial statements of the Group and the Company.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(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, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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

The key assumptions concerning the future and other key sources of estimation or uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the plant and equipment as disclosed in Note 2(i)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage could have impact the useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and of the Company's property, plant and equipment at 31 December 2010 are disclosed in Note 3 to the financial statements.

(ii) Estimation of fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; or

(b) recent prices of similar properties based on less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(iii) Impairment of financial assets

The Company assess at each reporting date whether there is any objective evidence that a financial assets is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Company's loans and receivables as at 31 December 2010 is disclosed in Notes 6 and 7 to the financial statements.

(iv) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues 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 differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Employees' Share Option Scheme

The fair value of share options granted during the financial year was estimated by the management using the Black-Scholes-Merton model, taking into accounts the terms and conditions upon which the options were granted. The fair value of share options was measured at Grant Date. The principal assumption used in the fair value estimation is disclosed in Note 24 to the financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Financial assets

Financial assets are recognised on the statements of financial position when, and only when the Group and the Company becomes a party to the contractual provisions of the financial instrument.

(i) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in the statements of comprehensive income.

(ii) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. The fair value measurement considerations of the Group and of the Company are as disclosed in Note 2(e). Equity instrument that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets, at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in the statements of comprehensive income when the changes arise.

Interest and dividend income on financial assets, available-for-sale are recognised separately in the statements of comprehensive income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(iii) Classification

The Group and the Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Financial assets, at fair value through profit or loss

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Company investment strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the statements of financial position date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the statements of financial position.

Financial assets, available-for-sale

Financial assets, available-for-sale is non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the statements of financial position date.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Financial assets *cont'd*

(iii) Classification *cont'd*

'Held-to-Maturity' Investment

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity.

Subsequent to initial recognition, 'held-to-maturity' investments are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when 'held-to-maturity' investments are derecognised or impaired.

Held-to-maturity investment are classified as non-current assets, except for those having maturity date within 12 months after the reporting date which are classified as current.

(iv) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Group and the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in the statements of comprehensive income.

(v) Impairment

The Group and the Company assesses at each statements of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired. The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statements of comprehensive income.

The allowance for impairment loss account is reduced through the statements of comprehensive income in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

Financial assets, available-for-sale

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the fair value reserve is transferred to the statements of comprehensive income. The impairment losses recognised in the statements of comprehensive income on equity securities are not reversed through the statements of comprehensive income.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Financial assets *cont'd*

(v) Impairment *cont'd*

Financial assets, held-to-maturity

Impairment in respect of held-to-maturity investment carried at amortised cost are measured as the difference between the assets carrying amount and the present values of their estimated future cash flows discounted at the "held-to-maturity" investments' original effective interest rate.

(e) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the statements of financial position date. The quoted market prices used for financial assets are current bid prices; the appropriate quoted market prices for financial liabilities are the current risk prices.

The fair values of financial instruments that are not traded in an active market are determined by using a variety of methods and makes assumptions based on market conditions existing at each statements of financial position date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flows analyses, are also used to determine the fair values of the financial instruments. However, if the probabilities of various estimates cannot be reasonably measured the Group and the Company are precluded from measuring the instruments at fair value, and the financial instruments are measured at cost.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(f) Derivatives

Derivatives relate to fair value hedges on financial assets held through profit or loss. Derivatives are initially recognised at fair values on the date the contract is entered into and is subsequently carried at fair value.

The fair value hedges are not designated as effective hedging investments therefore changes in fair value are recognised immediately in the statements of comprehensive income.

(g) Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when the Group and the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(g) Financial liabilities *cont'd*

Financial Liabilities at 'Fair Value Through Profit or Loss'

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability held for trading include derivative enter by the Group and by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange difference.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

Other financial liabilities

The Group's and the Company's other financial liabilities includes trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method.

Loan and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(h) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies and its associated companies through equity accounting, which are made up to the end of the financial year.

In the Company's separate financial statements, investments in subsidiary companies and investment in associated companies are stated at cost less impairment losses in accordance with Note 2(j). On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the statements of comprehensive income.

(i) Subsidiary companies

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate. The accounting policy on goodwill on acquisition of subsidiary companies is set out in Note 2(k). Reserve on consolidation is recognised immediately in statements of comprehensive income.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unimpaired balance of goodwill which were not previously recognised in the consolidated statements of comprehensive income.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Basis of consolidation *cont'd*

(i) Subsidiary companies *cont'd*

Minority interest is measured at the minorities' share of the fair value of identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority shareholders for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the statements of comprehensive income.

When a group purchases a subsidiary's equity shares from minority shareholders for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(i) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(j).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Property, plant and equipment *cont'd*

(iii) Depreciation

Depreciation is recognised in the statements of comprehensive income on a straight-line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Plant and machinery	3 - 20 years
Office furniture, fittings and equipment	10 - 20 years
Motor vehicles	5 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each financial year end.

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to the statements of comprehensive income. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distribution reserve.

(j) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, recoverable amount is estimated at each reporting date or more frequently when indications of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in the statements of comprehensive income in the period in which it arises. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units (groups of units) and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in statements of comprehensive income, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Goodwill on consolidation

Goodwill acquired in a business combination is initially measured at cost, represents the excess of the purchase price over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently when there is objective evidence that the carrying value may be impaired, in accordance with Note 2(j).

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(l) 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 2(j).

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.

(m) 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(m) 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.

(n) Inventories

Inventories of raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the first in, first out method. The cost of raw materials comprises the original cost of purchase plus the cost of bringing the stocks to its present location and condition.

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

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(o) Leases and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incident to ownership. All other leases are treated as operating leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Group's or the Company's incremental borrowing rate is used.

Lease and hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the statements of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charges on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the statements of comprehensive income on a straight line basis over the term of the relevant lease.

(p) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the statements of comprehensive income.

When shares are repurchased, the amount of consideration paid, including directly attributable costs, is measured at cost and set off against equity. Shares repurchased and not cancelled are classified as treasury shares. Where treasury shares are reissued by re-sale in the open market, the difference between the sale consideration and the carrying amount is recognised in equity.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(p) Share capital *cont'd*

Dividends on ordinary shares, when declared or proposed by the Directors of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

(q) Cash and cash equivalents

Cash and cash equivalent consist of cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalent are presented net of bank overdrafts and pledged deposits.

(r) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

The closing exchange rates used for the main foreign currency in the Group is:

	2010 RM	**2009 RM**
United States Dollar (USD)	3.0855	3.4265

(s) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

(i) Goods sold and services rendered

Revenue from sales of goods and services is recognised when significant risk and rewards have been transferred to the buyer, if any, or on performance of services, net of sales taxes and discounts.

(ii) Rental income

Rental income is recognised on an accruals basis unless ability to collect is in doubt.

(iii) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

(iv) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method.

(v) Construction contract

Revenue from construction contract is accounted for by the stage of completion method.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(t) Employee benefits

(i) Short term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the statements of financial position date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statements of comprehensive income in the period to which they relate.

(iii) Employees' Share Option Scheme ("ESOS")

The Company's 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 statements of comprehensive income 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.

(u) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Income taxes

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 statements of financial position date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base at the statements of financial position date. 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 future 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 difference arises 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.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the statements of financial position date. The carrying amount of a deferred tax asset is reviewed at each statements of financial position date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(v) Income taxes *cont'd*

Deferred tax is recognised in the statements of comprehensive income, 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 to 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.

(w) Provision for liabilities

Provisions for liabilities are recognised when the Group and the Company have 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 statements of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Buildings	Plant and machinery	Motor vehicles	Office furniture, fittings and equipment	Total
	RM	RM	RM	RM	RM	RM
2010						
Group						
Cost						
At 1 January 2010						
- As previously stated	-	10,843,601	12,792,261	289,097	798,535	24,723,494
- Effect of amendment to FRS 117	5,577,918	-	-	-	-	5,577,918
- As restated	5,577,918	10,843,601	12,792,261	289,097	798,535	30,301,412
Additions	-	2,684,445	1,767,135	-	24,192	4,475,772
Disposal	-	-	(45,000)	-	-	(45,000)
Written off	-	(131,840)	(2,757,057)	(3,773)	(698,886)	(3,591,556)
Reclassification	-	2,377,459	(2,377,459)	-	-	-
At 31 December 2010	5,577,918	15,773,665	9,379,880	285,324	123,841	31,140,628
Accumulated depreciation						
At 1 January 2010	-	2,507,022	10,096,557	285,812	792,739	13,682,130
Charge for the financial year	256,062	306,461	330,600	-	10,785	903,908
Disposals	-	-	(31,219)	-	-	(31,219)
Written off	-	(216,840)	(2,672,057)	(3,773)	(698,886)	(3,591,556)
Reclassification	-	1,053,155	(1,053,155)	-	-	-
At 31 December 2010	256,062	3,649,798	6,670,726	282,039	104,638	10,963,263
Carrying amount						
At 31 December 2010	5,321,856	12,123,867	2,709,154	3,285	19,203	20,177,365

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

	Leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Office furniture, fittings and equipment RM	Total RM
2009						
Group						
Cost						
At 1 January 2009	-	10,826,717	12,810,071	289,097	797,981	24,723,866
Additions						
- As previously stated	-	16,884	23,140	-	850	40,874
- Effect of amendment to FRS 117	5,577,918	-	-	-	-	5,577,918
- As restated	5,577,918	16,884	23,140	-	850	5,618,792
Disposal	-	-	(40,950)	-	-	(40,950)
Written off	-	-	-	-	(296)	(296)
At 31 December 2009	5,577,918	10,843,601	12,792,261	289,097	798,535	30,301,412
Accumulated depreciation						
At 1 January 2009	-	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
Disposals	-	-	(29,070)	-	-	(29,070)
Written off	-	-	-	-	(296)	(296)
At 31 December 2009	-	2,507,022	10,096,557	285,812	792,739	13,682,130
Carrying amount						
At 31 December 2009	5,577,918	8,336,579	2,695,704	3,285	5,796	16,619,282

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

	Leasehold land	Motor vehicles	Office furniture, fittings and equipment	Total
	RM	RM	RM	RM
2010				
Company				
Cost				
At 1 January 2010				
- As previously stated	-	3,773	330,026	333,799
- Effect of amendment to FRS 117	5,577,918	-	-	5,577,918
- As restated	5,577,918	3,773	330,026	5,911,717
Written off	-	(3,773)	(302,397)	(306,170)
At 31 December 2010	5,577,918	-	27,629	5,605,547
Accumulated depreciation				
At 1 January 2010	-	3,773	328,551	332,324
Charge for the financial year	256,062	-	295	256,357
Written off	-	(3,773)	(302,397)	(306,170)
At 31 December 2010	256,062	-	26,449	282,511
Carrying amount				
At 31 December 2010	5,321,856	-	1,180	5,323,036
2009				
Company				
Cost				
At 1 January 2009	-	3,773	330,026	333,799
Addition				
- As previously stated	-	-	-	-
- Effect of amendment to FRS 117	5,577,918	-	-	5,577,918
- As restated	5,577,918	-	-	5,577,918
31 December 2009	5,577,918	3,773	330,026	5,911,717
Accumulated depreciation				
At 1 January 2010	-	3,773	325,788	329,561
Charge for the financial year	-	-	2,763	2,763
At 31 December 2009	-	3,773	328,551	332,324
Carrying amount				
At 31 December 2009	5,577,918	-	1,475	5,579,393

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

The aggregate additional cost for the property, plant and equipment of the Group and of the Company during the financial year under cash payment, transferred from inventories and issuance of share capital are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Aggregate costs	4,475,772	5,618,792	-	5,577,918
Less: Transferred from inventories	(1,259,406)	-	-	-
Less: Issuance of share capital	-	(5,370,000)	-	(5,370,000)
Cash payment	3,216,366	248,792	-	207,918

4. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company	
	2010	2009
	RM	RM
Unquoted shares, in Malaysia		
At cost	46,780,002	46,780,002
Less: Accumulated impairment	(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: Accumulated impairment	(13,132,252)	(13,132,252)
	1,953,737	1,953,737
	13,744,998	13,744,998

(b) The subsidiary companies and shareholdings therein are as follows:

Name of company	Country of incorporation	Effective interest 2010 %	Effective interest 2009 %	Principal activities
Direct holding:				
Harvest Court (M) Sdn. Bhd.	Malaysia	100	100	Sawmilling and marketing of sawn timber (Ceased operation)
Harvest Court Marketing Sdn. Bhd.	Malaysia	100	100	Marketing of timber doors and other related products (Ceased operation)
Harvest Lumber Sdn. Bhd.	Malaysia	100	100	Manufacturing and marketing of timber doors and other related products

4. INVESTMENT IN SUBSIDIARY COMPANIES *cont'd*

(b) The subsidiary companies and shareholdings therein are as follows: *cont'd*

Name of company	Country of incorporation	Effective interest 2010 %	Effective interest 2009 %	Principal activities
Harvest Court Corporation Sdn. Bhd.	Malaysia	100	100	Manufacturing and marketing of timber doors and other related products (Ceased operation)
Harvest Exporter Sdn. Bhd.	Malaysia	100	100	Sawn timber export and related products (Ceased operation)
Quantum Pro Sdn. Bhd.	Malaysia	100	100	Timber kiln drying
Harvest Court Properties Sdn. Bhd.	Malaysia	100	100	Property development (Ceased operation)
Harvest Rimba Sdn. Bhd.	Malaysia	98.8	98.8	Property development and jetty operation (Ceased operation)
Harvest Court Management Sdn. Bhd.	Malaysia	100	100	Investment holding
Harvest Court Development Sdn. Bhd.	Malaysia	100	100	Construction (Ceased operation)
Harvest Nation Sdn. Bhd.	Malaysia	100	100	Dormant (Ceased operation)
Timbeck (M) Sdn. Bhd.	Malaysia	100	100	Dormant

5. INVENTORIES

	Group 2010 RM	Group 2009 RM
At cost:		
Raw materials	4,283,394	3,626,236
Work-in-progress	931,463	476,372
Finished goods	530,430	382,099
	5,745,287	4,484,707
At net realisable value:		
Work-in-progress	1,843,446	2,268,803
Finished goods	270,301	622,423
	2,113,747	2,891,226
	7,859,034	7,375,933

6. TRADE RECEIVABLES

	Group	
	2010	2009
	RM	RM
Trade receivables	2,728,658	5,834,383
Less: Accumulated impairment	(547,043)	(440,712)
	2,181,615	5,393,671

The Group's normal trade credit terms range from 30 to 120 days (2009: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Movements in impairment during the financial year are as follows:

	Group	
	2010	2009
	RM	RM
At beginning of the financial year	440,712	411,591
Impairment during the financial year	106,331	29,121
At end of the financial year	547,043	440,712

Analysis of the trade receivables ageing is as follows:

	Group	
	2010	2009
	RM	RM
Neither past due nor impair	628,710	1,273,079
Past due less than 30 days not impaired	1,378,954	611,982
Past due for more than 30 days not impaired	173,951	3,508,610
	2,181,615	5,393,671
Impaired	547,043	440,712
	2,728,658	5,834,383

The Group has not made any impairment on certain past due receivables as the Directors are of the view that the receivables are recoverable.

7. OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Other receivables	27,071	8,071	19,000	-
Deposits	155,600	110,600	110,000	110,000
Prepayments	525,260	207,416	88,342	106,901
	707,931	326,087	217,342	216,901
Less: Accumulated impairment	(8,071)	(8,071)	-	-
	699,860	318,016	217,342	216,901

Movements in impairment during the financial year are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
At beginning of the financial year	8,071	-	-	-
Impairment during the financial year	-	8,071	-	-
At end of the financial year	8,071	8,071	-	-

Analysis of the other receivables ageing is as follows:

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Neither past due nor impair	19,000	-	19,000	-
Impaired	8,071	8,071	-	-
	27,071	8,071	19,000	-

The Group and the Company has not made any impairment on certain past due receivables as the Directors are of the view that the receivables are recoverable.

8. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES

These represents unsecured, interest free advances and repayable on demand.

9. FIXED DEPOSITS WITH LICENSED BANKS

The interest rates of deposits during the financial year is Nil (2009: 2.1%) per annum and the maturities of deposits is Nil (2009: daily rollover) respectively.

10. SHARE CAPITAL

	Group/Company	
	2010	**2009**
	RM	**RM**
Ordinary shares of RM0.25 each:		
Authorised		
At 1 January	100,000,000	25,000,000
Creation during the financial year	-	75,000,000
At 31 December	100,000,000	100,000,000
Issued and fully paid		
At 1 January	40,422,812	22,669,900
Capital reduction	-	(17,002,425)
Issued of share pursuant to debt restructuring	-	34,755,337
Issued of share pursuant to ESOS	422,000	-
Issued of share pursuant to private placement	2,135,781	-
At 31 December	42,980,593	40,422,812

During the financial year, the Company increased its issued and paid-up share capital from RM40,422,812 to RM42,980,593 by issuance of:

(a) 1,688,000 new ordinary shares of RM0.25 each pursuant to the exercise of options granted under the Company's ESOS at the exercise price of RM0.25 each; and

(b) 8,543,126 new ordinary shares of RM0.25 each pursuant to the private placement.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary share of the Company.

Free Detachable Warrants

The main features of the warrants 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 DeedPoll.

(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 2010 was 70,760,472 (2009: 70,760,472).

11. ACCUMULATED LOSSES

	2010	
	Group	**Company**
	RM	**RM**
Accumulated Losses		
- Realised	(53,762,892)	(22,120,801)
- Unrealised	(76,311)	-
	(53,839,203)	(22,120,801)
Less: Consolidation adjustments	34,824,696	-
	(19,014,507)	(22,120,801)

The disclosure of realised and unrealised profits or losses is solely compiled in accordance to the Malaysian Institute of Accountants Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements issued on 20 December 2010.

The disclosure of realised and unrealised profits and losses is solely for the purpose of disclosure requirements of Bursa Malaysia Securities Berhad Listing Requirements, and the comparative figures are not required in the first financial year of complying with the realised and unrealised profits and losses disclosure.

12. HIRE PURCHASE PAYABLES

	Group	
	2010	**2009**
	RM	**RM**
(a) Minimum hire purchase payments		
Within one year	20,538	38,040
Between one and five years	21,018	50,388
	41,556	88,428
Less: Future finance charges	(5,712)	(10,803)
Present value of hire purchase liabilities	35,844	77,625
(b) Present value of hire purchase liabilities		
Within one year	17,786	35,383
Between one and five years	18,058	42,242
	35,844	77,625
Analyse as:		
Repayable within twelve months	17,786	35,383
Repayable after twelve months	18,058	42,242
	35,844	77,625

The hire purchase liabilities interest is charged at rates ranging from interest is charged at rates ranging from 3.30% to 3.90% (2009: 3.30% to 3.90%) per annum.

13. DEFERRED TAXATION

	Group 2010 RM	Group 2009 RM
At 1 January	134,000	201,000
Recognised in statements of comprehensive income	(76,000)	(67,000)
Under provision in prior year	(41,000)	-
At 31 December	17,000	134,000
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	173,000	225,000
Deferred tax assets	(156,000)	(91,000)
	17,000	134,000

The components and movements of deferred tax liabilities and assets of the Group prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Total RM
At 1 January 2010	225,000	225,000
Recognised in statements of comprehensive income	(52,000)	(52,000)
At 31 December 2010	173,000	173,000
At 1 January 2009	276,000	276,000
Recognised in statements of comprehensive income	(51,000)	(51,000)
At 31 December 2009	225,000	225,000

Deferred tax assets of the Group:

	Unutilised capital allowances RM	Unused tax losses RM	Total RM
At 1 January 2010	(82,000)	(9,000)	(91,000)
Recognised in statements of comprehensive income	(39,000)	(26,000)	(65,000)
At 31 December 2010	(121,000)	(35,000)	(156,000)
At 1 January 2009	(61,000)	(14,000)	(75,000)
Recognised in statements of comprehensive income	(21,000)	5,000	(16,000)
At 31 December 2009	(82,000)	(9,000)	(91,000)

13. DEFERRED TAXATION *cont'd*

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Unused tax losses	17,518,000	16,184,000	440,000	440,000
Unutilised capital allowances	4,242,000	3,525,000	302,000	302,000
Accelerated capital allowances	(2,371,000)	(2,094,000)	(1,000)	(1,000)
	19,389,000	17,615,000	741,000	741,000

The unused tax losses and unutilised capital allowance are available indefinitely for offset against future taxable profits of the companies in which those items arose.

14. TRADE PAYABLES

The Group's normal trade credit terms range from 30 to 120 days (2009: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

15. OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Other payables	5,725,346	8,748,869	5,316,646	8,476,481
Accruals	1,264,988	1,988,673	555,698	627,689
	6,990,334	10,737,542	5,872,344	9,104,170

16. AMOUNT OWING TO A DIRECTOR

This represents unsecured interest free advances and repayable on demand.

17. BANK BORROWING

	Group	
	2010	**2009**
	RM	**RM**
Secured		
Al-Bai Bithaman Ajil	255,493	310,493
Total bank borrowing	255,493	310,493
Analysed as:		
Repayable within twelve months		
Secured		
Al-Bai Bithaman Ajil	255,493	310,493
	255,493	310,493

The credit facility obtained by a subsidiary company from a licensed bank is secured by corporate guarantee by the Company.

The interest rate for the above facility is fixed at 8.00% (2009: 8.00%) per annum.

18. REVENUE

	Group	
	2010	**2009**
	RM	**RM**
Sales of timber products	6,427,872	6,832,835
Construction contract	-	2,400,000
	6,427,872	9,232,835

NOTES TO THE FINANCIAL STATEMENTS

cont'd

19. FINANCE COSTS

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Interest expenses on:				
Bank overdrafts	-	813,567	-	461,704
Bankers' acceptances	-	985,142	-	-
Export credit refinancing	-	191,933	-	191,933
Hire purchase				
- current	5,091	6,631	-	-
- over provision in prior year	-	(14,304)	-	-
Revolving credits	-	200,807	-	-
Term loan	-	312,799	-	-
Others	-	14,880	-	-
	5,091	2,511,455	-	653,637

20. EXCEPTIONAL ITEMS

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Corporate exercise expenses	192,520	1,846,387	192,520	1,864,387
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)
Waiver of debts on payables	(67,325)	-	-	-
	125,195	(17,796,111)	192,520	196,026

21. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is derived after charging/(crediting):

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- Statutory				
- current year	36,000	59,100	16,000	22,000
- over provision in prior year	(500)	-	-	-
- Non Statutory	12,000	-	12,000	-
Bad debts written-off	-	28,019	-	5,914
Directors' remuneration	97,200	62,000	72,200	14,000
Depreciation of property, plant and equipment	903,908	705,452	256,357	2,763
Gain on disposal of property, plant and equipment	(9,419)	(8,970)	-	-
Impairment on trade receivables	106,331	29,121	-	-
Impairment on other receivables	-	8,071	-	-
Allowance for obsolete inventories	-	745,130	-	-
Interest income on fixed deposit	(55,096)	(31,594)	(55,096)	(2,685)
Other interest income	-	(5,921)	-	-
Realised loss on foreign exchange	80,057	621	-	-
Rental income	(11,149)	-	-	-
Rental of premises	-	336,950	-	-
Unrealised loss on foreign exchange	59,311	-	-	-

Directors' remuneration

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Company's Directors				
Executive Directors				
Salary	48,000	48,000	48,000	-
Non-Executive Directors				
Fees	28,000	1,500	8,000	1,500
Other emoluments	16,200	12,500	16,200	12,500
Other Directors				
Fees	5,000	-	-	-
	97,200	62,000	72,200	14,000

22. TAXATION

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Current income tax				
Current year provision	-	7,227	-	-
Under/(Over) provision in prior year	2,415	(76,227)	-	78,000
	2,415	(69,000)	-	78,000
Deferred tax				
Relating to origination and reversal of temporary differences	(76,000)	(67,000)	-	-
Over provision in prior financial years	(41,000)	-	-	-
	(117,000)	(67,000)	-	-
Tax expenses for the financial year	(114,585)	(136,000)	-	78,000

Income tax is calculated at the statutory tax rate of 25% (2009: 25%) of the estimated taxable profit for the financial year.

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

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
(Loss)/Profit before taxation	(2,818,952)	12,025,099	(607,081)	(1,183,786)
Taxation at statutory tax rate of 25%	(704,738)	3,006,275	(151,770)	(295,947)
Expenses not deductible for tax purposes	278,301	1,803,123	151,705	1,194,846
Income not subject to tax	(16,832)	(4,050,471)	-	(898,899)
Deferred tax assets not recognised	367,269	-	65	-
Under/(Over) provision of taxation in respect of prior year	2,415	(76,227)	-	78,000
Utilisation of unrecognised tax losses and capital allowance	-	(818,700)	-	-
Over provision of deferred taxation in respect of prior year	(41,000)	-	-	-
Tax expense for the financial year	(114,585)	(136,000)	-	78,000

The Group and the Company have unused tax losses and unutilised capital allowances amounting to approximately RM21,760,000 and RM742,000 (2009: RM19,709,000 and RM742,000) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

23. EARNINGS PER SHARE

(a) Basic earnings per share

The earnings per share has been calculated based on the consolidated (loss)/profit after taxation for the financial year attributable to equity holders of the parent for the Group and the adjusted weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2010	**2009**
Net (loss)/profit for the financial year attributable to the equity holders of the parent (RM)	(2,704,367)	12,161,099
Weighted number of ordinary shares issue	167,624,202	38,666,877
Basic earning per share (sen)	(1.61)	31.45

(b) Fully diluted earnings per share

The fully diluted earning per share is not calculated as the average market price as at 31 December 2010 is lower than the exercise price of warrant and ESOS, therefore there will be no dilutive effect.

24. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Harvest Court Industries Berhad ("HCIB") ESOS was approved by shareholders at the EGM on 3 March 2010 and became effective on 23 March 2010 for a period of 5 years, and lapsed on 22 March 2015.

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 RM0.25 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.

24. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") *cont'd*

Details of share options outstanding at end of the financial year are as follows:

Share Options	Exercise prices RM	Exercise Period
2010		
2010 Grant	0.25	23.03.2010 - 22.03.2015

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

	No. of option over ordinary shares of RM0.25 each				
		Movement during the financial year			
	Outstanding at 1 January	Granted	Exercised	Outstanding at 31 December	Exercisable at 31 December
2010					
2010 Grant	-	5,879,000	1,688,000	4,191,000	4,191,000
WAEP	-	0.25	0.25	0.25	0.25

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under the ESOS:

	No. of option over ordinary shares of RM0.25 each				
		Movement during the financial year			
	Outstanding at 1 January	Granted	Exercised	Outstanding at 31 December	Exercisable at 31 December
2010					
2010 Grant	-	1,591,400	-	1,591,400	1,591,000
WAEP	-	0.25	0.25	0.25	0.25

25. STAFF COSTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Staff costs (excluding Directors)	2,498,361	948,553	-	12,500

Included in the staff costs (excluding Directors) are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and of the Company amounting to RM69,703 and Nil (2009 : RM65,248 and Nil) respectively.

26. SEGMENTAL REPORTING

The Group has four reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports on at least a quarterly basis.

The following summary describes the main business segments and respective business activity of each segment of the Group's reportable segments:

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 service

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer. Hence no disclosure is made on segment liability.

26. SEGMENTAL REPORTING *cont'd*

2010	**Timber product manufacturing**	**Construction**	**Property development**	**Investment holding and others**	**Adjustment and elimination**	**Consolidated**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
REVENUE						
External sales	6,427,872	-	-	-	-	6,427,872
Inter-segment sales	220,178	-	-	-	(220,178)	-
Total revenue	6,648,050	-	-	-	(220,178)	6,427,872
RESULTS						
Segment results	(2,144,389)	(65,361)	24,429	(683,636)	-	(2,868,957)
Interest income	-	-	-	55,096	-	55,096
Interest expense	(872)	(4,219)	-	-	-	(5,091)
Loss before taxation	(2,145,261)	(69,580)	24,429	(628,540)	-	(2,818,952)
Taxation	116,051	-	(1,480)	14	-	114,585
Net loss for the financial year	(2,029,210)	(69,580)	22,949	(628,526)	-	(2,704,367)
Additions to non-current assets	4,475,772	-	-	-	-	4,475,772
Segment assets	26,506,017	47,544	581	5,915,033	(1,800)	32,467,375
NON-CASH EXPENSES/ (INCOME)						
Depreciation of property, plant and equipment	646,748	803	-	256,357	-	903,908
Gain on disposal of property, plant and equipment	(9,419)	-	-	-	-	(9,419)
Impairment on trade receivables	106,331	-	-	-	-	106,331
Unrealised loss on foreign exchange	59,311	-	-	-	-	59,311
Waiver of debts	(11,028)	(23,470)	(32,827)	-	-	(67,325)

26. SEGMENTAL REPORTING *cont'd*

2009	Timber product manufacturing RM	Construction RM	Property development RM	Investment holding and others RM	Adjustment and elimination RM	Consolidated RM
REVENUE						
External sales	6,832,835	2,400,000	-	-	-	9,232,835
Inter-segment sales	61,111	-	-	-	(61,111)	-
Total revenue	6,893,946	2,400,000	-	-	(61,111)	9,232,835
RESULTS						
Segment results	8,368,325	2,115,985	4,606,686	(591,957)	-	14,499,039
Interest income	-	-	34,830	2,685	-	37,515
Interest expense	(1,542,805)	(2,214)	(312,799)	(653,637)	-	(2,511,455)
Profit before taxation	6,825,520	2,113,771	4,328,717	(1,242,909)	-	12,025,099
Taxation	221,227	-	(7,227)	(78,000)	-	136,000
Net profit for the financial year	7,043,747	2,113,771	4,321,490	(572,952)	-	12,161,099
Additional to non-current assets	40,874	-	-	5,577,918	-	5,618,792
Segment assets	21,463,140	2,406,202	436	14,078,927	-	37,948,705
NON-CASH EXPENSES/ (INCOME)						
Bad debts written-off	17,842	-	4,263	5,914	-	28,019
Depreciation of property, plant and equipment	689,535	12,433	721	2,763	-	705,452
Gain on disposal of property, plant and equipment	(8,970)	-	-	-	-	(8,970)
Impairment on trade receivables	11,602	-	17,519	-	-	29,121
Impairment on other receivables	8,071	-	-	-	-	8,071
Impairment on obsolesces inventories	745,130	-	-	-	-	745,130
Waiver of principal on borrowings	(4,394,550)	(821,350)	(2,239,045)	(890,364)	-	(8,345,309)
Waiver of interest on borrowings	(7,444,001)	(1,358,417)	(2,934,184)	(921,247)	-	(12,657,849)

27. SIGNIFICANT EVENT

On 30 December 2010, Harvest Court Marketing Sdn Bhd ("HCM"), a wholly-owned subsidiary of the Company had entered into an agreement with Muhibbah Enterprise (Port Klang) Sdn Bhd ("Muhibbah") whereby Muhibbah agreed to sell and HCM agreed to purchase the machineries from Muhibbah at the total consideration of RM646,278.00 and in consideration the Company agreed to transfer 1,200,000 ordinary shares of RM1.00 each in HCM to Muhibbah subject to the terms and conditions as stipulated in the agreement. This transaction was completed subsequent to the financial year ended 31 December 2010.

28. CONTINGENT LIABILITIES

(a) Guarantees (Unsecured)

	Company 2010 RM	Company 2009 RM
Corporate guarantees given to licensed bank for banking facilities granted to subsidiary company	255,493	310,493

(b) Material Litigation

On 10 February 2001, legal suit filed by Kilang Papan Galas Setia (Kelantan) Sdn. Bhd. against the Company for alleged sum 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.

29. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year.

	Company 2010 RM	Company 2009 RM
Subsidiary Companies:		
Success fee waiver of debts 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 all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Information regarding outstanding balances arising from related party transactions as at 31 December 2010 is disclosed in Note 8 the financial statements.

(c) 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 Directos.

30. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in the paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group			
2010			
Financial Assets			
Trade and other receivables	2,881,475	-	2,881,475
Cash and bank balances	1,549,169	-	1,549,169
Total financial assets	4,430,644	-	4,430,644
Financial Liabilities			
Trade and other payables	-	7,649,962	7,649,962
Amount owing to a Director	-	14,913	14,913
Hire purchase payables	-	35,844	35,844
Bank borrowing	-	255,493	255,493
Total financial liabilities	-	7,956,212	7,956,212
2009			
Financial Assets			
Trade and other receivables	5,711,687	-	5,711,687
Fixed deposits with licensed banks	7,002,685	-	7,002,685
Cash and bank balances	1,237,851	-	1,237,851
Total financial assets	13,952,223	-	13,952,223
Financial Liabilities			
Trade and other payables	-	12,724,665	12,724,665
Hire purchase payables	-	77,625	77,625
Bank borrowing	-	310,493	310,493
Total financial liabilities	-	13,112,783	13,112,783

30. FINANCIAL INSTRUMENTS *cont'd*

(a) Classification of financial instruments *cont'd*

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company			
2010			
Financial Assets			
Trade and other receivables	217,342	-	217,342
Amount owing by subsidiary companies	17,618,750	-	17,618,750
Cash and bank balances	8,402	-	8,402
Total financial assets	17,844,494	-	17,844,494
Financial Liabilities			
Trade and other payables	-	5,872,344	5,872,344
Amount owing to subsidiary companies	-	10,084,333	10,084,333
Amount owing to a Director	-	14,913	14,913
Total financial liabilities	-	15,971,590	15,971,590
2009			
Financial Assets			
Trade and other receivables	216,901	-	216,901
Amount owing by subsidiary companies	12,456,294	-	12,456,294
Fixed deposits with a licensed bank	7,002,685	-	7,002,685
Cash and bank balances	1,178,699	-	1,178,699
Total financial assets	20,854,579	-	20,854,579
Financial Liabilities			
Trade and other payables	-	9,104,170	9,104,170
Amount owing to subsidiary companies	-	12,047,082	12,047,082
Total financial liabilities	-	21,151,252	21,151,252

(b) Financial assets/(liabilities) at "fair value through profit or loss"

There is no fair value through profit or loss has been imposed as the Group and the Company credit risks and liquidity risk are within the acceptable collection/payment period.

30. FINANCIAL INSTRUMENTS *cont'd*

(c) Capital risk management objectives and policies

The Group and the Company's management manages its capital to ensure that the Company is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of the Group and the Company consists of issued capital, cash and cash equivalents and bank borrowing.

(d) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and market risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

(e) Credit risk

Fixed deposits with licensed banks, cash and bank balances are placed with a credit worthy financial institution.

Credit risk arises mainly from the inability of its customers to make payments when due. The Group and the Company has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via Company's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting represents the Group's and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

(f) Liquidity risk

The Group's and the Company's funding requirements and liquidity risks are managed with the objective of meeting business obligations on a timely basis. The Group and the Company monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

30. FINANCIAL INSTRUMENTS *cont'd*

(f) Liquidity risk *cont'd*

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	Total RM
Group				
2010				
Trade and other payables	7,649,962	-	-	7,649,962
Amount owing to a Director	14,913	-	-	14,913
Hire purchase payables	17,786	6,310	11,748	35,844
Bank borrowing	255,493	-	-	255,493
	7,938,154	6,310	11,748	7,956,212
2009				
Trade and other payables	12,724,665	-	-	12,724,665
Hire purchase payables	35,383	17,786	24,456	77,625
Bank borrowing	310,493	-	-	310,493
	13,070,541	17,786	24,456	13,112,783

	On demand or within 1 year RM	Total RM
Company		
2010		
Trade and other payables	5,872,344	5,872,344
Amount owing to subsidiary companies	10,084,333	10,084,333
Amount owing to a Director	14,913	14,913
	15,971,590	15,971,590
2009		
Trade and other payables	9,104,170	9,104,170
Amount owing to subsidiary companies	12,047,082	12,047,082
	21,151,252	21,151,252

(g) Market risks

(i) Foreign currency exchange risk

The Group incurs foreign currency risk on transactions that are denominated in foreign currencies. The currencies giving rise to this risk is primarily the United States Dollar (USD). The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant.

30. FINANCIAL INSTRUMENTS *cont'd*

(g) Market risks *cont'd*

(i) Foreign currency exchange risk *cont'd*

The carrying amounts of the Group's are foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Financial Assets		
	Trade and other receivables	**Cash and bank balances**	**Total**
	RM	**RM**	**RM**
Group			
2010			
USD	403,657	712,307	1,115,964
2009			
USD	152,738	22,450	175,188

(ii) Foreign currency risk sensitivity

A 10% strengthening of Ringgit Malaysia against the following foreign currencies at the end of the reporting period would increase/(decrease) the profit before tax and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	USD
	RM
2010	
Group	
Profit before taxation	(111,596)

A 10% weakening of Ringgit Malaysia against the above foreign currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

(iii) Interest rate risk

The Group and the Company obtains financing through other financial liabilities. The Group's and the Company's policy is to obtain the financing with the most favourable interest rates in the market.

The Group and the Company constantly monitors its interest rate risk and does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

30. FINANCIAL INSTRUMENTS *cont'd*

(g) Market risks *cont'd*

(iii) Interest rate risk *cont'd*

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	2010 RM	2009 RM
Group/Company		
Financial Assets		
Fixed deposits with a licensed bank	-	7,002,685

The Group and the Company are exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of the Group and the Company.

(h) Fair values of financial assets and financial liabilities

(i) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amount of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of current bank borrowings are estimated by discounting expected future cash flows at market incremental lending rate similar types of lending, borrowing or leasing arrangements at the reporting date.

(ii) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	2010		2009	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial liability				
Hire purchase payables	18,058	17,403	42,242	23,960
Company				
Financial liability				
Contingent liabilities	255,493	@	310,493	@

@ *It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, cost and eventual outcome.*

31. COMPARATIVE FIGURES

The financial statements of the previous financial year which are presented for comparative purposes were examined and reported on by another firm of auditors.

Certain comparative figures have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As previously stated RM	Reclassified RM	As restated RM
Group			
Statements of Financial Position			
Non-Current Assets			
Property, plant and equipment	11,041,364	5,577,918	16,619,282
Prepaid land lease payments - At cost	5,577,918	(5,577,918)	-
Company			
Statements of Financial Position			
Non-Current Assets			
Property, plant and equipment	1,475	5,577,918	5,579,393
Prepaid land lease payments - At cost	5,577,918	(5,577,918)	-
Group			
Statements of Cash Flows			
Adjustments for:			
Allowance for doubtful debts	37,912	(37,912)	-
Impairment on trade receivables	-	29,121	29,121
Impairment on other receivables	-	8,071	8,071
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	9,973,204	(9,952,354)	20,850
Proceeds from disposal of non-current assets held for sales	-	9,952,354	9,952,354

32. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2011.

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	2	4,471,106	2009	Factory and Office
2. Lot 10568, Jalan Papan Pandamaran Industrial Area 42000 Port Klang	- KD Plant and warehouse	Leasehold	4,181	2	850,755	2009	KD Chambers

ANALYSIS OF SHAREHOLDINGS
as at 6 May 2011

Authorised Share Capital	: RM100,000,000.00
Issued and Fully Paid-Up Capital	: RM42,980,593.25
Class of Shares	: Ordinary Shares of RM0.25 Each
Voting Rights	: One Vote Per Ordinary Share
Number of Shareholders	: 2,579

DISTRIBUTION OF SHAREHOLDINGS AS AT 6 MAY 2011

Size of Shareholdings	No. of Shareholders	No. of Ordinary Shares	%
Less than 100	14	514	0.00
100 to 1,000	692	666,718	0.39
1,001 to 10,000	962	4,870,612	2.83
10,001 to 100,000	741	29,450,567	17.13
100,001 to less than 5% of issued shares	166	69,370,795	40.35
5% and above of issued shares	4	67,563,167	39.30
TOTAL	2,579	171,922,373	100.00

DIRECTORS' SHAREHOLDINGS AS AT 6 MAY 2011

		Direct		Indirect	
No.	**Names**	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Ng Swee Kiat	8,246,294	4.80	20,591,986	11.98[(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	-	-	-	-

LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE) AS AT 6 MAY 2011

		Direct		Indirect	
No.	**Names**	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Affin Bank Berhad	31,410,664	18.27	-	-
2.	Paramountvest Sdn. Bhd.	15,560,517	9.05	-	-
3.	Port Klang Jetty Sdn. Bhd.	10,054,500	5.85	-	-
4.	Ng Swee Kiat	8,246,294	4.80	20,591,986	11.98[(A)]
5.	Yang Peing Nan	10,537,486	6.13	18,300,794	10.64[(B)]
6.	Ng Chuan Seng @ Ng Teck Huat	7,480,894	4.35	13,414,500	7.80[(C)]
7.	Ng Swee Keong	371,900	0.22	10,054,500	5.85[(D)]

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

(B) Deemed interest by virtue of her husband's (Ng Swee Kiat) shareholdings in HCIB and by virtue of her shareholdings in Port Klang Jetty Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

(C) Deemed 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) Deemed 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 2011
cont'd

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 6 MAY 2011

	Name	No. of Shares Held	Percentage
1.	ABB Nominee (Tempatan) Sdn Bhd *- Affin Bank Berhad (Loan Recovery)*	31,410,664	18.27
2.	Paramountvest Sdn Bhd	15,560,517	9.05
3.	Yang Peing Nan	10,537,486	6.13
4.	Port Klang Jetty Sdn Bhd	10,054,500	5.85
5.	ABB Nominee (Tempatan) Sdn Bhd *- Pledged Securities Account for Ng Swee Kiat*	8,000,000	4.65
6.	Ng Chuan Seng @ Ng Teck Huat	7,480,894	4.35
7.	Wangsa Kinta Sdn Bhd	3,360,000	1.95
8.	Lim Kheng Keong	1,981,032	1.15
9.	See Teong Beng	1,808,997	1.05
10.	Wong Wei Shan	1,791,126	1.04
11.	Chuah Tiong Pan	1,500,000	0.87
12.	Dan Yoke Pyng	1,443,800	0.84
13.	Tan Sui Lan	1,102,900	0.64
14.	Lee Chee Ming	1,066,000	0.62
15.	Chua Cheng Oh	1,000,000	0.58
16.	Ng Chong Keong	1,000,000	0.58
17.	Lai Kim Lan	956,805	0.56
18.	Chua Choh Wan	886,200	0.52
19.	Yio Kim Sim	765,900	0.45
20.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Liau Yong Hwa*	700,000	0.41
21.	Wong Ah Soo @ Wong Choong Kong	700,000	0.41
22.	Cimsec Nominees (Tempatan) Sdn Bhd *- CIMB Bank for Chan Sai Kim*	686,600	0.40
23.	Ding Ling Ching	650,000	0.38
24.	RHB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ji Jock Wah*	633,100	0.37
25.	HLG Nominee (Tempatan) Sdn Bhd *- Pledged Securities Account for Yang Sin Tzong*	605,294	0.35
26.	Tan Tuan Neo @ Tan Tuan New	602,000	0.35
27.	TA Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lee Chee Ming*	600,100	0.35
28.	Yen Tien Fook	600,000	0.35
29.	Su An Lee	572,000	0.33
30.	Lim He Xin	500,000	0.29
	TOTAL	108,555,915	63.14

ANALYSIS OF WARRANTS HOLDINGS
as at 6 May 2011

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	:	830

DISTRIBUTION OF WARRANTS HOLDINGS AS AT 6 MAY 2011

Size Of Shareholdings	No. of Warrants Holders	No. of Warrants	%
Less than 100	19	710	0.00
100 to 1,000	13	8,640	0.01
1,001 to 10,000	314	1,606,495	2.27
10,001 to 100,000	363	16,592,934	23.45
100,001 to less than 5% of issued shares	119	40,751,805	57.59
5% and above of issued shares	2	11,799,888	16.68
TOTAL	830	70,760,472	100.00

DIRECTORS' INTEREST IN WARRANTS AS AT 6 MAY 2011

		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	-	-	-	-

LIST OF SUBSTANTIAL WARRANTS HOLDERS (5% AND ABOVE) AS AT 6 MAY 2011

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

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

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

ANALYSIS OF WARRANTS HOLDINGS

as at 6 May 2011
cont'd

LIST OF TOP 30 WARRANTS HOLDERS/DEPOSITORS AS AT 6 MAY 2011

	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.	Cimsec Nominees (Tempatan) Sdn Bhd *- CIMB Bank for Pek Kiam Kek*	2,000,000	2.83
4.	Port Klang Jetty Sdn Bhd	1,900,000	2.69
5.	Lai Kim Lan	1,759,305	2.49
6.	Tan Sui Lan	1,500,000	2.12
7.	Ng Chuan Seng @ Ng Teck Huat	1,362,494	1.93
8.	Dan Yoke Pyng	1,135,300	1.60
9.	Helen Yong	1,100,000	1.55
10.	Pek Kiam Kek	841,000	1.19
11.	Wangsa Kinta Sdn Bhd	840,000	1.19
12.	Mayban Securities Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Vincent Phua Chee Ee*	800,000	1.13
13.	SJ Sec Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Chee Keong*	738,400	1.04
14.	Wong Jing Herng	701,000	0.99
15.	OSK Nominees (Tempatan) Sdn Berhad *- Pledged Securities Account for Wong Ah Yong*	700,000	0.99
16.	See Eau Teong	650,000	0.92
17.	Cimsec Nominees (Tempatan) Sdn Bhd *- CIMB Bank for Chan Sai Kim*	615,000	0.87
18.	Teih Foun Thee	600,000	0.85
19.	Wong Kok Sin	560,000	0.79
20.	OSK Nominees (Tempatan) Sdn Berhad *- Pledged Securities Account for Wong Siaw Wei*	550,000	0.78
21.	Wong Wei Shan	546,026	0.77
22.	Chan Kim Hoon	530,000	0.75
23.	Hean Chew	500,000	0.71
24.	Lim Vei Tat	492,700	0.70
25.	Public Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Wong Ting Hiong*	477,000	0.67
26.	Tan Kok Keng	422,900	0.60
27.	Mayban Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Chwee Lan*	420,000	0.59
28.	Ismail Bin Umar	400,000	0.57
29.	Ng Poh Hwa	400,000	0.57
30.	Ong Cheok Leng	400,000	0.57
	TOTAL	34,741,013	49.10

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)
CDS No. ________________________

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 Third Annual General Meeting of the Company to be held at Lot 450, Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan on Monday, 20 June 2011 at 3.00 p.m. and at any adjournment thereof in the manner as indicated below:-

RESOLUTION	FOR	AGAINST
Resolution 1 – To re-elect Mr Ng Swee Kiat as Director		
Resolution 2 – To re-elect Mr Chua Eng Chin as Director		
Resolution 3 – To approve the payment of Directors' fees of RM28,000.00 to the non-executive directors of the Company		
Resolution 4 – To re-appoint Messrs UHY as Auditors of the Company		
Resolution 5 – To approve the authority to issue shares pursuant to Section 132D of the Companies Act		

(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 __________2011

____
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 authorised in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorised.*
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

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