



annual report 2006



**HARVEST COURT INDUSTRIES BERHAD (36998-T)**



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman/Managing Director

Ng Swee Kiat

#### Executive Directors

Ng Chuan Seng @ Ng Teck Huat (*resigned on 26.8.2006*)

Ng Ai Cheng (*resigned on 25.11.2006*)

#### Non-Independent Non-Executive Directors

Ng Swee Keong (*resigned on 26.8.2006*)

#### Independent Non-Executive Directors

Sukhinderjit Singh Muker

Dato' Zainal Bin Md Deros

Yet Kiong Siang (*retired on 26.6.2006*)

Ng Sho See (*appointed on 1.8.2006*) (*resigned on 27.12.2006*)

Zainuri Bin Zainal (*appointed on 27.12.2006*)

Mohd Zaidi Bin Ismail (*appointed on 15.2.2007*)

### AUDIT COMMITTEE

#### Chairman

Mohd Zaidi Bin Ismail

#### Members

Ng Swee Kiat

Sukhinderjit Singh Muker

Zainuri Bin Zainal

### REMUNERATION COMMITTEE

#### Chairman

Sukhinderjit Singh Muker

#### Members

Ng Swee Kiat

Mohd Zaidi Bin Ismail

### NOMINATION COMMITTEE

#### Chairman

Sukhinderjit Singh Muker

#### Members

Dato' Zainal Bin Md Deros

Zainuri Bin Zainal

### COMPANY SECRETARIES

Lim Seck Wah (f) (*MAICSA 0799845*)

M. Chandrasegaran A/L S. Murugasu (*MAICSA 0781031*)

### REGISTERED OFFICE

Lot 450, Jalan Papan,  
Pandamaran Industrial Area,  
42000 Port Klang,  
Selangor Darul Ehsan.  
Tel No.: (603) 31652218  
Fax No.: (603) 31681664/1336

### SHARE REGISTRAR

**MEGA CORPORATE SERVICES SDN. BHD.** (187984-H)

Level 15-2, Faber Imperial Court,  
Jalan Sultan Ismail, 50250 Kuala Lumpur.  
Tel No.: (603) 26924271  
Fax No.: (603) 27325388

### PRINCIPAL BANKERS

Affin Bank Berhad  
United Overseas Bank (Malaysia) Bhd.  
Public Bank Berhad  
RHB Bank Berhad  
Alliance Merchant Bank Berhad  
MIDF Amanah Investment Bank Berhad

### AUDITORS

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

### STOCK EXCHANGE LISTING

Second Board of Bursa Securities  
Bursa Securities refers to Bursa Malaysia Securities Berhad

STOCK CODE: 9342



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twentieth Annual General Meeting of the Company will be held at the Crystal 1, Level 1, Crystal Crown Hotel Harbour View, 217, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Wednesday, 27 June 2007 at 2.30 p.m. to transact the following businesses:-

1. To receive the audited financial statements for the year ended 31st December 2006 together with the Directors' and Auditors' Reports thereon. Please refer to Note A.
2. To re-elect the following Director retiring pursuant to Article 97 of the Company's Articles of Association:-
  - Mr. Sukhinderjit Singh Muker *Resolution 1*
3. To re-elect the following Director retiring pursuant to Article 103 of the Company's Articles of Association:-
  - En. Zainuri Bin Zainal *Resolution 2*
  - En. Mohd Zaidi Bin Ismail *Resolution 3*
4. To re-appoint Messrs Shamsir Jasani Grant Thornton 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 Resolutions:-

5. **As Ordinary Resolution**  
**AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** *Resolution 5*

"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"
6. **As Ordinary Resolution**  
**PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE FOR RRPT1, RRPT2 AND RRPT3** *Resolution 6*



## NOTICE OF ANNUAL GENERAL MEETING

7. **As Ordinary Resolution**  
**PROPOSED SHAREHOLDERS' MANDATE IN RELATION TO RECURRENT RELATED PARTY TRANSACTIONS FOR RRPT4**

*Resolution 7*

"THAT, approval be hereby given to the Company and/or its subsidiaries ("Group") to enter into and give effect to specific recurrent related party transactions of a revenue or trading nature as set out in Section 3.2 of this Circular to Shareholders dated 5 June 2007 ("Circular") with specified classes of related parties as described in Section 3.1 of the said Circular which are necessary for the Group's day-to-day operations in the ordinary course of businesses on terms not more favourable to the said related parties than those generally available to the public and not detriment to the minority shareholders of the Company and such approval shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM, at which time it will lapse, unless by a resolution passed by shareholders in general meeting, the authority/mandate is renewed;
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

AND THAT, the Directors of the Company be and hereby authorized to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Mandate."

8. **As Special Resolution**  
**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

*Resolution 8*

"THAT the alterations, modifications, additions and deletions to the Articles of Association of the Company as detailed in Appendix 1 in the Annual Report 2006 in compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad."

9. To transact any other business of the Company for which due notice shall have been given.

By order of the Board,

LIM SECK WAH (MAICSA 0799845)  
M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA 0781031)  
COMPANY SECRETARIES

Port Klang, Selangor Darul Ehsan  
5th June 2007



## NOTICE OF ANNUAL GENERAL MEETING

### Notes

- A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, 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 or attorney may but does not need to be a member and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia.
  2. 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.
  3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorized.
  4. 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.
  5. **Explanatory Notes To Special Businesses**
    - 5.1 **Resolution Pursuant to Section 132D of the Companies Act, 1965**

The Ordinary Resolution no.5, if duly passed, will empower the Directors to issue and allot shares up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as they may deem fit from the date of this Annual General Meeting till the next Annual General Meeting of the Company and also to avoid any delay and costs incurred in convening a general meeting. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.
    - 5.2 **Resolution Pursuant to Proposed Shareholders' Mandate**

The Ordinary Resolution No. 6 to 7 on the Proposed Shareholders' Mandate, if passed, will mandate the Company and/or its subsidiaries to enter into the recurrent transactions of a revenue or trading nature and with those related parties as specified in Section 3.1 of the Circular to Shareholders dated 5 June 2007. The Proposed Shareholders' Mandate shall continue to be in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company in a general meeting and is subject to annual renewal.
    - 5.3 **Resolution Pursuant to Proposed Amendments to the Articles of Association of the Company**

The proposed Resolution no. 8 on the amendments to the Company's Articles of Association is in compliance with the recent enhancement of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to Appendix 1 in the Annual Report 2006 for details of the Proposed Amendments.



## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### Further Details of Directors Who Are Standing for Re-election

Further details of the Directors who are standing for re-election, namely Mr. Sukhinderjit Singh Muker, En. Zainuri Bin Zainal and En. Mohd Zaidi Bin Ismail are set out in the Directors' Profile of and Analysis of shareholdings of this Annual Report.



## DIRECTORS' PROFILE

### Ng Swee Kiat

*Chairman/Managing Director*

Mr. Ng, a Malaysian, aged 52, 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 26 years. Mr. Ng has planned and charted the expansion programme of the Group, transforming it from a mere sawn timber exporter into a diversified and fully integrated timber product manufacturer.

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

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

Mr. Ng attended all ten Board meetings of HCIB held during the financial year ended 31 December 2006.

Mr. Ng holds 379,000 shares in HCIB and he also has an indirect interest of 7,822,200 shares in HCIB by virtue of his interest in Harvest Court Holdings (M) Sdn. Bhd., a substantial shareholder of HCIB and his family members' shareholding in HCIB. He is the son of Mr. Ng Chuan Seng @ Ng Teck Huat. He has no conflict of interest with HCIB and has no conviction for offences within the past ten years except for traffic offences.

### Sukhinderjit Singh Muker

*Independent/Non-Executive Director*

Mr. Muker, a Malaysian, aged 60, was appointed to the Board of HCIB on 18 July 1994. Mr. Muker obtained a degree of Bachelor of Laws (Hons) from the University of London, England in 1972 and was conferred the degree of an Utter Barrister by the Honourable Society of Grays Inn, England in 1973. He has been in active practice with the firm of Messrs Lovelace & Hastings since he was called to the Malaysian Bar in 1974.

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

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 attended all ten Board meetings of HCIB held during the financial year ended 31 December 2006.

Mr. Muker holds 10,000 shares in HCIB. Mr. Muker has no family relationship with other directors or major shareholders of HCIB. He has no conflict of interest with HCIB and has no conviction for offences within the past ten years except for traffic offences.

### Dato' Zainal Bin Md Deros

*Independent/Non-Executive Director*

Dato' Zainal, a Malaysian, aged 61, is a Ketua Bahagian Klang since 1982, ADUN for Pandamaran Constituency and Ahli Perniagaan Dalam Bidang Perniagaan, Trading, Hartanah.

Dato' Zainal was appointed to the Board of HCIB as an Independent Non-Executive Director on 22 August 2005.

Dato' Zainal is a Director of Perbadanan Kemajuan Negeri Selangor Berhad.

Dato' Zainal attended five out of ten of the Board meetings of HCIB held during the financial year ended 31 December 2006.

Dato' Zainal does not hold any shares in HCIB and its subsidiaries. Dato' Zainal is the father of Zainuri Bin Zainal. He has no conflict of interest with HCIB and has no conviction for offences within the past ten years except for traffic offences.





## DIRECTORS' PROFILE

### Zainuri Bin Zainal

*Independent/Non-Executive Director*

En. Zainuri, a Malaysian, aged 33, He is a Majlis Perbandaran Klang Councillor. He obtained a private pilot License with Instructor Rating (Aviation Career Academy, Lakeland Florida).

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

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

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

En. Zainuri has attended all the Board meetings of HCIB since he was appointed on 27 December 2006 during the financial year ended 31 December 2006.

En. Zainuri does not hold any shares in HCIB and its subsidiaries. En. Zainuri is the son of Dato' Zainal Bin Md Deros. He has no conflict of interest with HCIB and has no conviction for offences within the past ten years except for traffic offences

### Mohd Zaidi Bin Ismail

*Independent/Non-Executive Director*

En. Mohd Zaidi, a Malaysian, aged 30. He is a practising Chartered Accountant, Chartered Secretary and Licensed Tax Agent in a public accountants firm.

He obtained Bachelor in Accounting Degree (Hons), Certificate in Law and MBA in Strategic Management from the International Islamic University Malaysia. He is a member of the Malaysian Institute of Accountants, member of the Malaysian Association of Tax Accountants and associate member of the Malaysian Institute of Chartered Secretaries and Administrator.

En. Mohd Zaidi was appointed to the Board of HCIB as an Independent Non-Executive Director on 15 February 2007.

En. Mohd Zaidi is presently the Chairman of the Audit Committee and Member of Remuneration Committee of HCIB.

En. Mohd Zaidi does not hold directorships in any other public companies.

En. Mohd Zaidi does not hold any shares in HCIB and its subsidiaries. En Mohd Zaidi has no family relationship with the other directors or major shareholders of HCIB. He has no conflict of interest with HCIB and has no conviction for offences within the past ten years except for traffic offences.



## 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 2006.

### 1. Financial Performance

For the financial year ended 31 December 2006, the Group recorded a turnover of RM13,968,621, 52% lower than that of the previous financial year. The lower turnover was mainly due to the lack of working capital to sustain sales orders under a dire financial environment.

The Group recorded a loss after tax of RM16.38 million for the financial year ended 31 December 2006 as compared to a loss of RM5.66 million for the previous financial year. The loss after tax was mainly due to impairment losses on land held for property development and the loss arising from the deconsolidation of a subsidiary company in liquidation.

### 2. Corporate Exercise Proposal

Further to the appointment of Covenant Equity Consulting Sdn Bhd by the Company to undertake the role as financial adviser to assist in the Proposed Corporate and Debt Restructuring Scheme ("PCDRS"), the Company also appointed PM Securities Sdn Bhd ("PM") as its universal broker for the submission of the PCDRS to Securities Commission.

Pursuant to Practice Note 17/2006 ("PN17") of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), PM had on behalf of the Board of Directors of HCIB, submitted the regularisation plan to the relevant authorities on 31 January 2007. The regularization plan includes the following corporate proposals:-

- (i) Proposed share capital reduction pursuant to Section 64(1)(b) of the Companies Act, 1965 ("the Act") involving the reduction of the par value of each existing HCIB Share from RM1.00 to RM0.25 via the cancellation of RM0.75 of the par value of each HCIB Share of RM1.00 each;
- (ii) Proposed reduction of the share premium account of HCIB of up to RM873,000 pursuant to Sections 64(1) and 60(2) of the Act;
- (iii) Proposed amendments to the Company's Memorandum and Articles of Association;
- (iv) Proposed renounceable rights issue of up to a maximum of 52,820,000 new ordinary shares of RM0.25 each with up to 52,820,000 free detachable warrants in HCIB on the basis of thirty six (36) Rights Shares with thirty six (36) free detachable warrants for every seventeen (17) existing HCIB Shares of RM0.25 each (after the Proposed Share Capital Reduction) held at an indicative issue price of RM0.25 per Rights Share;
- (v) Proposed acquisition of four (4) parcels of leasehold industrial land at a total purchase consideration of RM5,370,000 to be satisfied entirely by the issuance of 21,480,000 new HCIB Shares of RM0.25 each at an issue price of RM0.25 per share together with 5,370,000 free detachable warrants on the basis of one (1) free detachable warrant for every four (4) new HCIB Shares of RM0.25 each issued;
- (vi) Proposed settlement of debts owing to the Bank Lenders and statutory creditors of HCIB Group amounting up to RM38,691,969 and RM1,431,548 respectively as at 31 December 2005; and
- (vii) Conditional Joint Venture between Harvest Court Management Sdn Bhd with Laing Huan dan Rakan which owns the rights to harvest timber from an area of 3,000 acres located in Sarawak (the "Designated Area") to fell, extract, harvest and remove all merchantable timber from the Designated Area under the License.

Subsequently, PM had also, on behalf of the substantial shareholders of HCIB, submitted a proposed waiver application to the SC from the obligation to undertake a mandatory offer for the remaining HCIB Shares of RM0.25 each not already owned by the substantial shareholders under Practice Note 2.9.1 of the Malaysian Code on Take Overs and Mergers, 1988 on 28 February 2007, as a result of the undertaking of the substantial shareholders to subscribe for the entire shares pursuant to the proposed renounceable rights issue with free detachable warrants.



## CHAIRMAN'S STATEMENT

Subsequently, the Ministry of International Trade and Industry had vide its letter dated 26 March 2007, states that it had no objection to the Proposed Rights Issue with Warrants, Proposed Land Acquisition and Proposed Debt Settlement Scheme.

Further, the Securities Commission had on 27 April 2007, approved the abovementioned PCDRS, save and except for the Proposed acquisition of the four (4) parcels of leasehold industrial land vide its letter dated 25 April 2007 (Proposed Land Acquisition"). The Proposed Land Acquisition was not approved as the SC is of the view that it will not provide obvious benefits to HCIB. Consequently, the Company is required to submit a proposal to the SC addressing the minimum paid-up share capital of RM40 million, which is to be complied by company listed on the second board of Bursa Malaysia pursuant to the Listing Requirements.

PM had on behalf of HCIB submitted an appeal to SC for its re-consideration in respect of the Proposed Land Acquisition on 10 May 2007 and this matter is currently pending for the decision of the SC.

### 3. Industry Trend and Development

Logging activity declined in 2006, in line with the conservation efforts implemented as part of sustainable forest management. Correspondingly, exports of logs and sawn timber decreased substantially. These developments, coupled with the continued ban on the exports of logs and sawn timber by Indonesia, resulted in the average Malaysian log price reaching a record high of RM474 per cubic metre, with sawn timber prices increasing by 18.8% during the year.

On the other hand, exports of wood products performed strongly during 2006, recording a growth of 16.7%. The growth was supported by higher prices of these products as well as strong demand from the regional countries.

*(Bank Negara Report 2006)*

### 4. Operational Overview

The Group's timber division remains the major contributor to the Group's performance in 2006 and is expected to continue to do so in 2007. In the past, diversification into non-core businesses had resulted in the poor financial performance of the Group. In this respect, having realised the past cause of its failures, the HCIB Group has exited from its property development and construction businesses.

### 5. Prospects

The Group is expected to return to profitability with the restructuring plan, and its business plan to focus on its core timber businesses. Further, the Group is expected to benefit from its Conditional JV with Lian Huan dan Rakan under the current industry trend of increasing prices of logs and strong external demand of wood based products.

### 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.

Ng Swee Kiat  
Chairman/Managing Director

Date : 5th June 2007  
Port Klang, Selangor Darul Ehsan



## CORPORATE GOVERNANCE STATEMENT

### COMPANY'S CORPORATE GOVERNANCE INITIATIVE

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

#### A. DIRECTORS

##### 1. Board Balance

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

The Board comprises five directors, one executive director and four independent non-executive directors. The Company is in compliance with Paragraph 15.02 of the Bursa Securities Listing Requirements whereby 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

The Board is supplied with relevant information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties. There are no formal guidelines concerning the contents, presentation and delivery of papers to the Board for each Board Meeting.

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 External Auditors.

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. 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 proposing new nominees for the Board and assessing Directors on an ongoing basis. The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee.

##### 4. Directors' Training

The Director, Dato' Zainal Bin Md Deros who was appointed on 22 August 2005 is making the arrangement to attend the MAP.

The Independent Non-Executive Director, Mr. Sukhinderjit Singh Muker who is a Practising Lawyer always keep himself abreast with the changes in the rules and regulations from relevant authorities.

All the other Directors, save from Mr. Sukhinderjit Singh Muker have not attended any of the relevant seminar in relation to the continuous training programmes as outlined for good corporate governance.

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.



## CORPORATE GOVERNANCE STATEMENT

### 5. Re-election

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

### 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.

#### 2. Disclosure (HCIB to provide)

The aggregate remuneration of Directors for the financial year ended 31 December 2006 is as follow:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Salary	135,000	-
Allowance	-	11,600
Benefit in Kinds	-	-
Directors' fee	-	-
<b>Total</b>	<b>135,000</b>	<b>11,600</b>

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	3	5

#### 3. Remuneration Committee

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

Chairman:	Sukhinderjit Singh Muker	Independent Non-Executive Director
Members:	Ng Swee Kiat	Chairman/Managing Director
	Mohd Zaidi Bin Ismail	Independent Non-Executive Director

No Remuneration Committee Meeting was held during the year 2006.



## CORPORATE GOVERNANCE STATEMENT

### C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS

The Group values regular communication with its shareholders and investors.

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

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

### D. ACCOUNTABILITY AND AUDIT

#### 1. Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the aim of the directors is to present a balanced and comprehensible assessment of the Group's position and prospects. The Audit Committee assists the Board to ensure accuracy and adequacy of all annual and quarterly financial reports, audited and unaudited for disclosure. The Statement by the Board pursuant to Paragraph 15.27 (a) of the Bursa Securities Listing Requirements on its responsibilities in preparing the financial statements is set out in Section E below.

#### 2. Internal Controls

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

#### 3. Relationship with Auditors

The External Auditors, Messrs Shamsir Jasani Grant Thornton have to report to members of 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 Board's attention.



## CORPORATE GOVERNANCE STATEMENT

### 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 2006, 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 2006, with the principles and best practices as set out in parts 1 and 2 respectively of the Code.

At present, the roles of the Managing Director and Chairman are combined because the Managing Director has the necessary skill, knowledge, expertise and experience and the Directors are confident that he is competent to hold the position of the Chairman of the Company. Although the roles are combined, there is a strong independent element on the Board representation as the Board consists of four Independent Non-Executive Directors who exercise their independent judgement.



## AUDIT COMMITTEE'S REPORT

### 1. COMPOSITION

#### **Chairman**

En. Mohd Zaidi Bin Ismail – Independent Non-Executive Director

#### **Members**

Mr. Ng Swee Kiat – Chairman/Managing Director

Mr. Sukhinderjit Singh Muker – Independent Non-Executive Director

En. Zainuri Bin Zainal – Independent Non-Executive Director

### 2. TERMS OF REFERENCE

#### **2.1 Members**

2.1.1 The Board shall appoint the Committee comprising of at least three (3) directors, a majority of whom shall be independent non-executive directors of the Board. At least one member of the audit committee must be:-

- A member of the Malaysian Institute of Accountants, or
- If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and; either
  - (i) he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
  - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

2.1.2 The Chairman of the Audit Committee should be an Independent Non-Executive director and be elected amongst the members of the Committee.

#### **2.2 Responsibilities and Duties**

2.2.1 To review the following and report to the Board:-

- (a) with the external auditors, the audit plan, their evaluation of the system of internal controls and their audit report;
- (b) the assistance given by the employees of the Company to the external auditors;
- (c) adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its works;
- (d) the internal audit programme, progressive reports, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function.
- (e) the quarterly results and year end financial statements prior to the approval by the Board, focusing particularly on:-
  - changes in or implementation of major accounting policy changes significant and unusual events;
  - the going concern assumption; and compliance with accounting standards and other legal requirements
- (f) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

2.2.2 To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and whether there is reasonable (supported ground) to believe that the Company's external auditors are not suitable for re-appointment;

2.2.3 To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;





## AUDIT COMMITTEE'S REPORT

2.2.4 To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss;

2.2.5 To review the external auditors' management letter and management's response;

2.2.6 To do the following where an internal audit function exists:-

- a. Review the adequacy of the scope, functions and resources of the internal audit, and that it has the necessary authority to carry out its work;
- b. Review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken in the recommendations of the internal audit function;
- c. Review any appraisal or assessment of the performance of members of the internal audit function;
- d. Approve any appointment or termination of senior staff members and provide the resigning staff members an opportunity to submit his reason for resigning.

2.2.7 To consider the major findings of internal investigations and management's response.

2.2.8 To verify the allocation of options to the eligible employees pursuant to the Company's Employee Share Option Scheme at the end of each financial year;

2.2.9 To consider other topics as defined by the Board.

### 2.3 Rights and Authority of the Audit Committee

2.3.1 The Company must ensure that whenever necessary and reasonable for the performance of its duties, the Audit Committee shall, in accordance with the procedures to be determined by the Board and at the cost of the Company:-

- have authority to investigate any matter within its terms of reference;
- have the resource which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- be able to obtain independent professional or other advice; and
- be able to convene meetings with the external auditors, excluding the attendance of the executive member of the Committee whenever deemed necessary.

## 3. MEETINGS

3.1 The Committee shall convene at least four (4) regular meetings a year and such additional meetings as the Chairman shall determine. The Chairman shall convene a meeting of the Committee, if so requested by any member of the Committee, the Management of the Group, the internal auditors or the external auditors.

3.2 The external auditors shall have the rights to appear and be heard at any meetings of the Committee and appear before the Committee upon request by the Committee.

3.3 The Head of Internal Audit and a representative of the external auditors shall attend all meetings of the Committee. Other members of the Board may attend meetings of the Committee upon invitation.

3.4 The quorum for any meeting of the Committee shall be three (3) members present in person, the majority of whom present shall be independent Non-Executive directors.



## AUDIT COMMITTEE'S REPORT

### 4. ATTENDANCE OF MEETINGS

During the year ended 31 December 2006, the audit committee held six (6) meetings. Details of the attendance of committee members were as follow:-

Member	Attendance
Mr. Yet Kiong Siang (Retired on 26.6.2006)	4/4
Mr. Ng Sho See (Appointed on 1.8.2006 ) (Resigned on 27.12.2006)	2/2
Mohd Zaidi Bin Ismail (appointed on 15.2.2007)	N/A
Mr. Ng Swee Kiat	6/6
Mr. Sukhinderjit Singh Muker	6/6

### 5. SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The activities of the Audit Committee during the financial year ended 31 December 2006 include the following:-

- review the quarterly results and year end financial statements
- review the adequacy of the audit scope and plan of the external auditors
- review reports of the internal and external auditors
- review related party transactions
- review the ESOS offered and exercise
- review the Statement of Internal Control

### 6. INTERNAL AUDIT FUNCTIONS

The Company has outsourced its Independent Internal Audit Division to Messrs IA Capital to ensure that the internal audit functions are carried out effectively and professionally.

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

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

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.



## STATEMENT OF INTERNAL CONTROLS

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

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

- Duties, responsibilities and reporting lines are communicated to the staff through organization charts, appointment letters and internal memo.
- Management contacts and communication are maintained between the Executive Directors and Senior Management to resolve all relevant operational and financial issues that affect the Group.
- The Audit Committee reviews the quarterly financial results, annual reports, audited financial statements and internal control issues identified by the External Auditors, Internal Auditors and the management; and
- The internal audit function reviews the systems of internal control. This function was outsourced to an external consultant. The internal audit function reports its findings to the Audit Committee on a quarterly basis.

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



## OTHER DISCLOSURE REQUIREMENTS

pursuant to the listing requirements of bursa securities

### 1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The Company did not undertake any corporate exercise during the financial year. Hence no proceeds were raised therefrom.

### 2. SHARE BUY-BACKS

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

### 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Except for the share options granted pursuant to its Employees Share Option Scheme, no other options, warrants or convertible securities were granted, issued or exercised during the financial year.

### 4. AMERICAN DEPOSITORY RECEIPT (ADR/GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMMES)

The Company did not sponsor any ADR or GDR programmes during the financial year.

### 5. IMPOSITION OF SANCTIONS/PENALTIES

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

### 6. NON-AUDIT FEES

There was no non-audit fees paid to the external auditors by the Group for the financial year ended 31 December 2006.

### 7. PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not undertake any profit estimate, forecast or projection for the financial year.

### 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

Recurrent related party transactions of a revenue and trading nature during the year amounted to RM366,000 with details as stated in Note 31 to the financial statements.

### 11. REVALUATION POLICY ON LANDED PROPERTIES

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



## DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

### PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 14 to the financial statements.

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

### FINANCIAL RESULTS

	Group RM	Company RM
Loss after taxation	(16,454,582)	(20,697,155)
Attributable to:		
Equity holders of the Company	(16,380,629)	(20,697,155)
Minority interests	(73,953)	-
	(16,454,582)	(20,697,155)

### DIVIDENDS

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

### RESERVES AND PROVISIONS

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

### SHARES CAPITAL AND DEBENTURES

There were no shares or debentures issued during the year.

### EMPLOYEE SHARE OPTION SCHEME ("ESOS")

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

The salient features of the ESOS are as follows:-

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



## DIRECTORS' REPORT

- (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.
- (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.

As at 31 December 2006, the options offered to take up unissued ordinary shares of RM1 each and the option prices are as follows:-

Year of offer	Option price	Number of option over ordinary shares of RM 1 each				At 31.12.2006
		At 1.1.2006	Granted	Exercised	Cancelled	
<b>Existing ESOS</b>						
2005	RM1.00	1,994,100	–	–	(1,302,800)	691,300

### INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amount of bad debts written off and the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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



## DIRECTORS' REPORT

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

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

### SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year are disclosed in the Note 34 to the financial statements.

### SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Significant events subsequent to the balance sheet date are disclosed in Note 35 to the financial statements.

### OTHER STATUTORY INFORMATION

The Directors state that:-

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

In their opinion:-

- (a) the results of the Group's and of the Company's operations during the year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the Notes to the financial statements; and
- (b) there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the year in which this report is made.

### DIRECTORS

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

Ng Swee Kiat  
Dato' Zainal bin Md Deros  
Sukhinderjit Singh Muker  
Zainuri bin Zainal (appointed on 27.12.2006)  
Mohd Zaidi bin Ismail (appointed 15.02.2007)  
Ng Sho See (appointed on 1.8.2006 and resigned on 27.12.2006)  
Yet Kiong Siang (resigned on 26.6.2006)  
Ng Swee Keong (resigned on 26.8.2006)  
Ng Chuan Seng @ Ng Teck Huat (resigned on 26.8.2006)  
Ng Ai Cheng (resigned on 25.11.2006)

In accordance with Article 97 of the Company's Articles of Association, Sukhinderjit Singh Muker retires at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Article 103 of the Company's Articles of Association, Zainuri bin Zainal and Mohd Zaidi bin Ismail retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.







## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 26 to 62 are drawn up in accordance with the provisions of Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006, results of the operations and cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 25 April 2007.

.....  
**NG SWEE KIAT**

Kuala Lumpur  
 25 April 2007

.....  
**ZAINURI BIN ZAINAL**

## STATUTORY DECLARATION

I, **Ng Swee Kiat**, being the Director primarily responsible for the financial management of **Harvest Court Industries Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 26 to 62 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
 the abovenamed at Kuala Lumpur in )  
 the Federal Territory this day of )  
 25 April 2007 )

.....  
 NG SWEE KIAT

Before me:

**T THANDONEE RAJAGOPAL**  
**(No. W 228)**  
 Commissioner for Oaths



## REPORT OF THE AUDITORS

to the members of Harvest Court Industries Berhad

We have audited the financial statements set out on pages 26 to 62 of **Harvest Court Industries Berhad**.

These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results and cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Malaysia, did not include any comment made under Section 174 (3) of the Act.

In forming our opinion, we have considered the adequacy of disclosures made in Note 2 to the financial statements on the uncertainty relating to the appropriateness of preparing the financial statements of the Group and of the Company on a going concern basis. Given that preparation of the financial statements of the Group and of the Company on a going concern basis is significantly dependant on the outcome of the Group's Proposed Corporate and Debt Restructuring Scheme as well as attaining profitable operation, we consider that this disclosure should be drawn to your attention. Our opinion is not qualified in this respect.

**SHAMSIR JASANI GRANT THORNTON**  
(NO. AF: 0737)  
CHARTERED ACCOUNTANTS

**DATO' N. K. JASANI**  
CHARTERED ACCOUNTANT  
(NO: 708/03/08(J/PH))  
PARTNER

Kuala Lumpur  
25 April 2007



## BALANCE SHEETS

as at 31 December 2006

	Note	2006 RM	Group 2005 RM	2006 RM	Company 2005 RM
<b>EQUITY</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share Capital	6	22,669,900	22,669,900	22,669,900	22,669,900
Share premium	7	873,000	873,000	873,000	873,000
Exchange translation reserve	8	–	3,856	–	–
Accumulated losses		(37,119,472)	(20,738,843)	(24,192,359)	(3,495,204)
		(13,576,572)	2,807,913	(649,459)	20,047,696
<b>Minority interests</b>		–	73,953	–	–
<b>TOTAL EQUITY</b>		(13,576,572)	2,881,866	(649,459)	20,047,696
<b>NON-CURRENT LIABILITIES</b>					
Long term borrowings	9	–	248,974	–	–
Finance payables	10	132,790	394,036	–	–
Deferred tax liabilities	11	306,000	317,000	–	–
		(13,137,782)	3,841,876	(649,459)	20,047,696
Represented by:-					
<b>PROPERTY, PLANT AND EQUIPMENT</b>	12	14,726,293	16,727,473	26,299	59,679
<b>LAND HELD FOR PROPERTY DEVELOPMENT</b>	13(a)	11,020,000	19,123,451	–	–
<b>INVESTMENT IN SUBSIDIARY COMPANIES</b>	14	–	–	28,785,991	50,165,991
<b>GOODWILL ON CONSOLIDATION</b>	15	–	388,612	–	–
<b>FIXED DEPOSITS WITH A LICENSED BANK</b>	16	–	539,134	–	–
<b>CURRENT ASSETS</b>					
Inventories	17	6,477,695	8,889,788	–	–
Trade receivables	18	2,964,444	8,195,054	–	–
Other receivables, deposits and prepayments		595,466	894,740	463,732	348,578
Amount due from subsidiary companies	19	–	–	9,691,718	7,405,837
Tax recoverable		9,263	66,380	–	–
Cash and bank balances		72,350	63,478	808	11,138
<b>Total current assets</b>		10,119,218	18,109,440	10,156,258	7,765,553
<b>CURRENT LIABILITIES</b>					
Trade payables	20	1,569,583	2,541,706	–	–
Other payables and accruals	21	6,750,848	6,101,306	2,399,669	2,300,576
Amount due to subsidiary companies	19	–	–	22,343,580	20,693,863
Amount due to a Director	22	111,530	1,071,590	111,530	1,071,590
Short term borrowings	9	39,607,977	40,408,421	14,625,863	13,787,107
Finance payables	10	204,786	211,616	–	–
Tax payable		758,569	711,595	137,365	90,391
<b>Total current liabilities</b>		49,003,293	51,046,234	39,618,007	37,943,527
<b>NET CURRENT LIABILITIES</b>		(38,884,075)	(32,936,794)	(29,461,749)	(30,177,974)
		(13,137,782)	3,841,876	(649,459)	20,047,696

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



## INCOME STATEMENTS

for the year ended 31 December 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	23	13,968,621	28,828,987	132,000	132,000
Cost of sales		(12,894,065)	(24,925,525)	–	–
Gross profit		1,074,556	3,903,462	132,000	132,000
Other income		2,903,999	138,051	2,049,315	1,633,827
Selling and distribution expenses		(776,144)	(1,378,254)	–	–
Administration expenses		(2,412,184)	(5,187,385)	(206,427)	(252,540)
Other expenses		(3,428,026)	(1,423,388)	–	(1,134,341)
Finance costs		(3,380,601)	(1,732,543)	(1,292,043)	(1,646,706)
(Loss)/Profit before exceptional item and taxation	24	(6,018,400)	(5,680,057)	682,845	(1,267,760)
Exceptional items	25	(10,447,182)	–	(21,380,000)	–
Loss before taxation		(16,465,582)	(5,680,057)	(20,697,155)	(1,267,760)
Taxation	26	11,000	18,975	–	–
Loss for the year		(16,454,582)	(5,661,082)	(20,697,155)	(1,267,760)
Attributable to:					
Equity holders of the Company		(16,380,629)	(5,660,663)	(20,697,155)	(1,267,760)
Minority interests		(73,953)	(419)	–	–
Net loss for the year		(16,454,582)	(5,661,082)	(20,697,155)	(1,267,760)
Loss per share attribute to equity holders of the Company (sen)					
- Basic	27	(72)	(25)		

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



## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

Group	Share capital RM	Share premium RM	Exchange translation reserve RM	Accumulated losses RM	Total RM	Minority interests RM	Total equity RM
Balance at 1 January 2005	22,098,400	873,000	154,530	(15,078,180)	8,047,750	74,372	8,122,122
Issue of ordinary shares pursuant to ESOS	571,500	-	-	-	571,500	-	571,500
Foreign exchange differences, representing net losses not recognised in income statements	-	-	(150,674)	-	(150,674)	-	(150,674)
Net loss for the year	-	-	-	(5,660,663)	(5,660,663)	(419)	(5,661,082)
Balance at 31 December 2005	22,669,900	873,000	3,856	(20,738,843)	2,807,913	73,953	2,881,866
Foreign exchange differences representing net losses not recognised in income statements	-	-	(3,856)	-	(3,856)	-	(3,856)
Net loss for the year	-	-	-	(16,380,629)	(16,380,629)	(73,953)	(16,454,582)
Balance at 31 December 2006	22,669,900	873,000	-	(37,119,472)	(13,576,572)	-	(13,576,572)
<b>Company</b>							
Balance at 1 January 2005	22,098,400	873,000	-	(2,227,444)	20,743,956	-	20,743,956
Issue of ordinary shares pursuant to ESOS	571,500	-	-	-	571,500	-	571,500
Net loss for the year	-	-	-	(1,267,760)	(1,267,760)	-	(1,267,760)
Balance at 31 December 2005	22,669,900	873,000	-	(3,495,204)	20,047,696	-	20,047,696
Net loss for the year	-	-	-	(20,697,155)	(20,697,155)	-	(20,697,155)
Balance at 31 December 2006	22,669,900	873,000	-	(24,192,359)	(649,459)	-	(649,459)

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

## CASH FLOW STATEMENTS

for the year ended 31 December 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before taxation	(16,465,582)	(5,680,057)	(20,697,155)	(1,267,760)
<b>Adjustments for:</b>				
Amortisation of goodwill	–	21,767	–	–
Bad debts written off	1,613,878	141,780	–	–
Bad debts recovered	(3,700)	–	–	–
Depreciation	1,522,831	1,608,677	33,380	37,136
Loss on disposal of property, plant and equipment	28,855	37,300	–	–
Impairment loss on goodwill	81,708	–	–	–
Impairment loss on investment in subsidiary companies	–	–	21,380,000	–
Impairment loss on lands held for property development	8,805,952	–	–	–
Interest expenses	3,196,256	1,360,886	1,288,360	1,633,827
Interest income	(6,661)	(68,489)	(1,288,360)	(1,633,827)
Inventories written down	1,145,893	80,000	–	–
Loss on deconsolidated of a subsidiary company	1,641,230	–	–	–
Property, plant and equipment written off	–	8,200	–	–
Provision for doubtful debts	549,677	–	–	–
Provision for doubtful debts no longer required	(226,751)	–	–	–
Rental deposit forfeited	(37,550)	–	–	–
Waiver of debts	(2,494,077)	–	(719,661)	–
Operating loss before working capital changes	(648,041)	(2,489,936)	(3,436)	(1,230,624)
Changes in working capital:-				
Directors	(240,399)	1,196,961	(394,000)	1,196,961
Inventories	(1,206,229)	4,829,444	–	–
Payables	158,145	736,447	11,132	(209,144)
Receivables	2,161,491	(839,157)	(115,154)	236,722
Property development costs	–	2,293,712	–	–
Subsidiary companies	–	–	652,196	9,024,031
Cash generated from operations	224,967	5,727,471	150,738	9,017,946
Interest paid	(1,437,562)	(1,176,722)	(714,757)	(1,633,827)
Tax refund	–	5,175	–	–
Tax paid	–	(160,165)	–	(75,823)
Net cash (used in)/generated from operating activities	(1,212,595)	4,395,759	(564,019)	7,308,296



## CASH FLOW STATEMENTS

for the year ended 31 December 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Development expenditure on land held for development	–	(937,230)	–	–
Deconsolidated of a subsidiary company (Note 14)	632,661	–	–	–
Interest received	6,661	68,489	–	1,633,827
Proceeds from disposal of property, plant and equipment	328,515	158,145	–	–
Purchase of property, plant and equipment (Note A)	(35,575)	(339,441)	–	(2,950)
Withdrawal/(Placement) of fixed deposits	539,134	(15,799)	–	–
<b>Net cash generated from/(used in) investing activities</b>	<b>1,471,396</b>	<b>(1,065,836)</b>	<b>–</b>	<b>1,630,877</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Bankers' acceptances	(311,760)	(625,772)	–	(5,893,772)
Bills payables	(214,424)	(776,848)	–	–
Trust receipts	(230,878)	202,640	–	–
Revolving credits	–	(1,776,120)	–	(1,776,120)
Export credit refinancing	–	(440,787)	–	(440,787)
Proceeds from issuance of shares	–	571,500	–	571,500
Repayment of finance payables	(195,013)	(388,521)	–	–
Repayment of term loans	–	(164,833)	–	–
<b>Net cash used in financing activities</b>	<b>(952,075)</b>	<b>(3,398,741)</b>	<b>–</b>	<b>(7,539,179)</b>
<b>CASH AND CASH EQUIVALENTS</b>				
Net changes	(693,274)	(68,818)	(564,019)	1,399,994
At beginning of year	(11,460,833)	(11,406,381)	(6,704,764)	(8,104,758)
Exchange differences	–	14,366	–	–
<b>At end of year (Note B)</b>	<b>(12,154,107)</b>	<b>(11,460,833)</b>	<b>(7,268,783)</b>	<b>(6,704,764)</b>

### NOTES TO CASH FLOW STATEMENTS

#### A. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM35,575 (2005: RM558,034) of which Nil (2005: RM218,593) was acquired by means of hire purchase. Cash payments of RM35,575 (2005: RM339,441) were made to purchase the property, plant and equipment.

#### B. CASH AND CASH EQUIVALENTS COMPRISE OF :-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Bank overdrafts	(12,226,457)	(11,524,311)	(7,269,591)	(6,715,902)
Cash and bank balances	72,350	63,478	808	11,138
	<b>(12,154,107)</b>	<b>(11,460,833)</b>	<b>(7,268,783)</b>	<b>(6,704,764)</b>

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### 1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

### 2. GOING CONCERN

During the year ended 31 December 2006, the Group and the Company incurred a net loss of RM16,454,582 and RM20,697,155 respectively, and as at that date, the shareholders' deficit of the Group and the Company were RM13,576,572 and RM649,459 respectively and net current liabilities of the Group and of the Company were RM38,884,075 and RM29,461,749 respectively.

As mentioned in Note 9 to the financial statements, the Group and the Company have defaulted in the repayment of borrowings as at 31 December 2006 which are currently due and payable.

On 31 January 2007, the Group has submitted its Proposed Corporate and Debt Restructuring Scheme ("PCDRS") as disclosed in Note 35 to the financial statements to regularise its financial condition to the Securities Commission ("SC") for approval. The PCDRS is currently pending approvals from the relevant authorities.

The financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which depends on the approval and implementation on the Group's PCDRS and attaining future profitable operations.

The financial statements of the Group and of the Company do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the relevant approvals for the PCDRS not obtained in the future.

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

#### (a) Foreign exchange risk

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

#### (b) Interest rate risk

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

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





## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### (c) Market risk

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

### (d) Credit risk

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

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

### (e) Liquidity and cash flow risks

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Accounting convention

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

### (b) Adoption of new and revised Financial Reporting Standards ("FRS")

The following FRSs have been adopted by the Group and the Company effective for period beginning on or after 1 January 2006:-

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

The Group has not early adopted the following:-

**a) FRSs that are effective for periods beginning on or after 1 October 2006:-**

- (i) FRS 117 – Leases.
- (ii) FRS 124 – Related Party Disclosures.

**b) FRSs that are effective for periods beginning on or after 1 January 2007:-**

- (i) FRS 6 – Exploration for and Evaluation of Mineral Resources.
- (ii) Amendment to FRS 119<sup>2004</sup> : Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures.

**c) FRS 139 – Financial Instruments: Recognition and Measurement.**

The Malaysian Accounting Standards Board has yet to announce the effective date of this standard.

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group and of the Company, other than changes discussed below:-

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

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

**(ii) FRS 101: Presentation of Financial Statements**

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

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

**(c) Significant accounting estimates and judgements**

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

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

### Depreciation of plant and machinery

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### Income taxes

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

### (d) Basis of consolidation

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

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

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

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

### (e) Goodwill

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### (f) Subsidiary companies

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

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

### (g) Minority interests

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

### (h) Property, plant and equipment and depreciation

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

The policy for the recognition and measurement of impairment loss is in accordance with Note 4 (z).

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

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

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

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

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

#### (i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment loss. The policy for the recognition and measurement of impairment loss is in accordance with Note 4 (z).

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### (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 period in which they are incurred.

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

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

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

### (j) Construction contracts

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

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

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

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

### (k) Inventories

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### (l) Provisions for liabilities

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

### (m) Receivables

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

### (n) Payables

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

### (o) Revenue recognition

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

#### i) Sale of goods

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

#### ii) Revenue from services

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

#### iii) Interest income

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

#### iv) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 4 (i) (ii).

#### v) Construction contract

Revenue from construction contract is accounted for by the stage of completion method as described in Note 4 (j).

### (p) Foreign currencies

#### i) Functional and presentation currency

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### ii) Foreign currency transactions

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

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

### iii) Foreign operations

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statements are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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

### (q) Equity instruments

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

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

### (r) Interest-bearing borrowings

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

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### (s) Income tax

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

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

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

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

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

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

### (u) Financial instruments

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

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

### (v) Cash and cash equivalents

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





## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### (w) Employee benefits

#### (i) Short term benefits

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

#### (ii) Defined contribution plans

Obligations for contributions to defined contribution plans such as Employees Provident Fund ("EPF") are recognised as an expense in the income statement as incurred.

#### (iii) Share based compensation

The Harvest Court Industries Berhad Employees' Share Option Scheme ("ESOS"), an equity-settled share-based compensation plan, allows the Group's Directors and employees to acquire ordinary shares of the Company. The total fair value of the share option granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within the equity over the vesting period and taking into account the probability that the option will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

### (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

- 31 December 2006

### (z) Impairment of assets

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

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

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

## 5. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 14 to the financial statements.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a Resolution of the Directors on 25 April 2007.

## 6. SHARE CAPITAL

	Group and Company 2006 RM	2005 RM
<b>Authorised:</b>		
Ordinary shares of RM1 each	25,000,000	25,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of RM1 each		
At beginning of year	22,669,900	22,098,400
Issued during the year	–	571,500
At end of year	22,669,900	22,669,900



## NOTES TO THE FINANCIAL STATEMENTS

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### 7. SHARE PREMIUM

	Group and Company	
	2006	2005
	RM	RM
<b>Non distributable:-</b>		
At beginning and end of year	873,000	873,000

### 8. EXCHANGE TRANSLATION RESERVE

	Group	
	2006	2005
	RM	RM
<b>Non distributable:-</b>		
At beginning of year	3,856	154,530
Foreign exchange differences, representing net losses not recognised in the income statements	(3,856)	(150,674)
At end of year	-	3,856

### 9. BORROWINGS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
<b>Long term borrowings</b>				
Secured:				
Term loan	-	5,019,226	-	-
Al-Bai Bithaman Ajil	-	335,493	-	-
	-	5,354,719	-	-
Less: Due within one year	-	(5,105,745)	-	-
	-	248,974	-	-
<b>Short term borrowings</b>				
Secured:				
Al-Bai Bithaman Ajil	335,493	-	-	-
Bank overdrafts	10,783,572	10,018,287	5,826,706	5,439,105
Bills payables	-	154,964	-	-
Bankers' acceptances	12,130,240	12,442,000	-	-
Export credit refinancing	3,405,217	3,120,150	3,405,217	3,120,150
Revolving credits	5,423,880	5,423,880	3,223,880	3,223,880
Trust receipts	-	230,878	-	-
Term loan	5,359,515	-	-	-
Long term borrowings due within one year	-	5,105,745	-	-
	37,437,917	36,495,904	12,455,803	11,783,135
Unsecured:				
Bank overdrafts	1,442,885	1,506,024	1,442,885	1,276,797
Bankers' acceptances	727,175	727,175	727,175	727,175
Bills payables	-	1,679,318	-	-
	2,170,060	3,912,517	2,170,060	2,003,972
	39,607,977	40,408,421	14,625,863	13,787,107



## NOTES TO THE FINANCIAL STATEMENTS

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### Long term borrowings

#### Group

- (a) The long term borrowings obtained from financial institutions are secured by:-
- (i) Term loan - First party first legal charge over a subsidiary company's landed properties, assignment of sales proceeds in respect of a proposed project by a subsidiary company, corporate guarantee by the Company and a letter of understanding from another subsidiary company to meet any debts obligation in the event of default by the said subsidiary company.
  - (ii) Al-Bai Bithaman Ajil - Corporate guarantee by the Company and a debenture by way of first fixed charge on the machinery and equipment financed by the bank.
- (b) The long term borrowings carry interest at rates ranging from 8.0% to 8.6% (2005: 6.0% to 8.5%) per annum.

### Short term borrowings

#### Group

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

#### Company

- (a) Short term borrowings are secured by:-
- (i) third party first legal charge over landed properties of a Director and a company in which a Director have interest;
  - (ii) third party first fixed charge over freehold land of a subsidiary company;
  - (iii) negative pledge over assets of the Company; and
  - (iv) supplemental assignment between the Company, a subsidiary company and licensed banks over leasehold land of a subsidiary company.
- (b) The short term borrowings are obtained at interest rates ranging from 7.30% to 9.75% (2005: 2.9% to 9.6%) per annum.

All the borrowings are defaulted in payment and therefore classified as short term. All the borrowings except for Al-Bai Bithaman Ajil facility are under the Group's PCDRS as disclosed in Note 2 to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### 10. FINANCE PAYABLES

	Group	
	2006 RM	2005 RM
Payable within 1 year	245,963	258,197
Payable after 1 year but not later than 5 years	134,658	476,050
Payable after 5 years	21,694	14,894
	402,315	749,141
Less: Interest in suspense	(64,739)	(143,489)
	337,576	605,652
Present value of finance payables		
- within 1 year	204,786	211,616
- after 1 year but not later than 5 years	116,732	382,272
- after 5 years	16,058	11,764
	337,576	605,652

### 11. DEFERRED TAX LIABILITIES

	Group	
	2006 RM	2005 RM
At beginning of year	317,000	339,000
Recognised in income statements (Note 26)	(11,000)	(22,000)
At end of year	306,000	317,000
The balance in the deferred tax liabilities are made up of tax effect of temporary differences arising from:-		
Excess of property, plant and equipment's carrying amount over its tax base	324,000	351,000
Unabsorbed capital allowances	(18,000)	(34,000)
	306,000	317,000

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax effects of:				
- excess of property, plant and equipment's carrying amount over its tax bases	862,200	1,117,800	6,900	15,200
- unutilised tax losses	(4,743,000)	(3,474,600)	-	(123,800)
- unabsorbed capital allowances	(755,100)	(795,500)	(17,100)	(18,800)
	(4,635,900)	(3,152,300)	(10,200)	(127,400)

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### 12. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM	Plant and machinery RM	Motor vehicles RM	Office furniture, fittings and equipment RM	Building in progress RM	Total 2006 RM	Total 2005 RM
<b>Cost</b>							
At beginning of year	11,372,467	19,486,825	1,622,805	1,291,181	322,557	34,095,835	33,979,996
Additions	-	35,200	-	375	-	35,575	558,034
Disposals	-	(638,803)	(263,833)	-	-	(902,636)	(301,609)
Written off	-	(4,130,973)	(15,200)	(450,229)	-	(4,596,402)	(82,000)
Reversal of subsidiary company deconsolidated	-	(224,941)	(464,213)	(18,260)	-	(707,414)	-
Translation difference	-	-	-	-	-	-	(58,586)
At end of year	11,372,467	14,527,308	879,559	823,067	322,557	27,924,958	34,095,835
<b>Accumulated depreciation</b>							
At beginning of year	1,752,767	13,726,345	802,670	1,086,580	-	17,368,362	15,981,062
Charge for the year	234,876	1,036,730	166,347	84,878	-	1,522,831	1,608,677
Disposals	-	(380,043)	(165,223)	-	-	(545,266)	(106,163)
Written off	-	(4,130,973)	(15,200)	(450,229)	-	(4,596,402)	(73,800)
Reversal of subsidiary company deconsolidated	-	(202,608)	(333,361)	(14,891)	-	(550,860)	-
Translation difference	-	-	-	-	-	-	(41,414)
At end of year	1,987,643	10,049,451	455,233	706,338	-	13,198,665	17,368,362
<b>Net book Value</b>							
2006	9,384,824	4,477,857	424,326	116,729	322,557	14,726,293	-
2005	9,619,700	5,760,480	820,135	204,601	322,557	-	16,727,473
Depreciation charged for the year ended 31 December 2005	234,531	1,078,050	201,335	94,761	-	-	1,608,677



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

Company Cost	Office furniture, fittings and equipment RM	Motor vehicles RM	Total 2006 RM	Total 2005 RM
At beginning of year	625,007	18,973	643,980	641,030
Additions	–	–	–	2,950
Written off	(294,981)	(15,200)	(310,181)	–
At end of year	330,026	3,773	333,799	643,980
<b>Accumulated depreciation</b>				
At beginning of year	565,706	18,595	584,301	547,165
Charge for the year	33,003	377	33,380	37,136
Written off	(294,981)	(15,200)	(310,181)	–
At end of year	303,728	3,772	307,500	584,301
<b>Net book value</b>				
2006	26,298	1	26,299	–
2005	59,301	378	–	59,679
Depreciation charged for the year ended 31 December 2005	36,759	377	–	37,136

### Group

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

	Group	
	2006 RM	2005 RM
Plant and machinery	–	156,680
Motor vehicles	421,041	673,794
	421,041	830,474

(b) The buildings with net book value amounted to RM514,916 (2005: RM532,087) are pledged to licensed banks for banking facilities granted to the Group.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### 13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

#### (a) Land held for property development

	2006 RM	Group 2005 RM
At beginning of year:-		
Leasehold land	5,380,110	5,380,110
Freehold land	2,223,187	2,223,187
Development expenditure	15,295,718	14,021,873
	22,899,015	21,625,170
Development expenditure incurred	702,501	1,273,845
At end of year	23,601,516	22,899,015
Accumulated impairment loss:-		
At beginning of year	3,775,564	3,775,564
Impairment loss for the year	8,805,952	-
At end of year	12,581,516	3,775,564
	11,020,000	19,123,451

All the land held for property development have been pledged to licensed banks as securities for banking facilities extended to the Company and certain subsidiary companies.

Included in development expenditure of the Group is loan interest amounting to Nil (2005: RM1,057,736) capitalised during the year (Note 24).

The separate title of the leasehold land has yet to be issued by the local authorities.

#### (b) Property development costs

	2006 RM	Group 2005 RM
At beginning of year	-	2,293,712
Cost incurred during the year:		
Development cost	-	2,603,309
Costs recognised in income statement	-	(4,897,021)
At end of year	-	-
Property development cost at end of year:		
Land	-	3,351,313
Development cost	-	8,122,753
Accumulated costs charged to income statement	-	(11,474,066)
	-	-

Included in development expenditure of the Group is loan interest amounting to Nil (2005: RM493,140) capitalised during the year (Note 24).





## NOTES TO THE FINANCIAL STATEMENTS

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### 14. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2006 RM	2005 RM
Unquoted shares, in Malaysia		
At cost	46,780,002	46,780,002
Less: Impairment loss	(22,530,000)	(4,700,000)
	24,250,002	42,080,002
At valuation in year 1993	15,085,989	15,085,989
Less: Impairment loss	(10,550,000)	(7,000,000)
	4,535,989	8,085,989
	28,785,991	50,165,991

A detailed list of subsidiary companies is as follows:-

Name of company	% Effective interest		Principal activities	Country of incorporation
	2006	2005		
Harvest Court (M) Sdn. Bhd.	100	100	Sawmilling and marketing of sawn timber.	Malaysia
Harvest Court Marketing Sdn. Bhd.	100	100	Marketing of timber doors and other related products.	Malaysia
Harvest Lumber Sdn. Bhd.	100	100	Manufacturing and marketing of timber doors and other related products.	Malaysia
Harvest Court Corporation Sdn. Bhd.	100	100	Manufacturing and marketing of timber doors and other related products.	Malaysia
Harvest Exporter Sdn. Bhd.	100	100	Sawn timber export and related products.	Malaysia
Quantum Pro Sdn. Bhd.	100	100	Timber kiln drying.	Malaysia
Harvest Court Properties Sdn. Bhd.	100	100	Property development. (Ceased operations)	Malaysia
Harvest Rimba Sdn. Bhd.	98.8	98.8	Property development and jetty operation.	Malaysia
Harvest Court Management Sdn. Bhd.	100	100	Investment holding.	Malaysia
Harvest Court Development Sdn. Bhd.	100	100	Construction. (Ceased operations)	Malaysia
Harvest Nation Sdn. Bhd.	100	100	Dormant. (Ceased operations)	Malaysia
Timbeck (M) Sdn. Bhd.	100	100	Dormant.	Malaysia

#### Held by Harvest Court Management Sdn. Bhd.:-

Harvest Timber Products (Australia) Pty. Ltd. *	-	100	Marketing of wood-based products	Australia
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\* Subsidiary company not audited by Shamsir Jasani Grant Thornton.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### Deconsolidation of a subsidiary company

On 29 May 2006, Harvest Timber Products (Australia) Pty Ltd, a wholly-owned subsidiary of Harvest Court Management Sdn Bhd, which in turn a wholly owned subsidiary of the Company, was placed under Voluntary Creditors' Winding-up. Consequently, Harvest Timber Products (Australia) Pty Ltd ceased to be a subsidiary company of the Company.

The effect on the financial position of the Group as at the end of the year arising from disposal of a subsidiary company is as follows:

	2006 RM
Property, plant and equipment	156,554
Preliminary expenses	4,702
Inventories	2,472,429
Trade receivables	1,361,027
Other receivables, deposits and prepayments	76,974
Tax recoverable	54,406
Cash and bank balances	8,350
Trade payables	(45,668)
Other payables and accruals	(420,513)
Bank overdraft	(641,011)
Short term borrowings	(1,619,861)
Finance payables	(73,063)
Net assets deconsolidated	1,334,326
Attributable goodwill (Note 15)	306,904
Loss on deconsolidation of a subsidiary company	1,641,230
Cash inflow from deconsolidated of a subsidiary company: Cash and cash equivalent of a subsidiary company deconsolidated	632,661
Net cash inflow of the Group	632,661

### 15. GOODWILL ON CONSOLIDATION

	Group	
	2006 RM	2005 RM
At beginning of year	388,612	544,178
Less:-		
Impairment loss	81,708	-
Accumulated amortisation	-	(155,566)
Deconsolidation of subsidiary (Note 14)	(306,904)	-
At end of year	-	388,612

### 16. FIXED DEPOSITS WITH A LICENSED BANK

#### Group

The fixed deposits were pledged to a licensed bank for banking facilities granted to the Group. It was subsequently withdrawn during the year.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### 17. INVENTORIES

	Group	
	2006 RM	2005 RM
Raw materials	281,413	557,347
Work-in-progress	4,463,289	4,436,189
Finished goods	1,732,993	3,896,252
	6,477,695	8,889,788

The inventories were written down to its net realisable value. The write down amounted to RM1,145,893 (2005: RM80,000) is included in the cost of sales.

### 18. TRADE RECEIVABLES

	Group	
	2006 RM	2005 RM
Trade receivables	3,514,121	8,421,805
Less: Provision for doubtful debts	(549,677)	(226,751)
	2,964,444	8,195,054

Included in the trade receivables is an amount of RM50,318 (2005: RM1,920) due from a company in which a Director have substantial financial interest which is unsecured, interest free and has no fixed term of repayment.

Credit terms for trade receivables ranges from 30 days to 180 days.

### 19. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

#### Company

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

### 20. TRADE PAYABLES

Credit terms for trade payables ranges from 30 days to 180 days.



## NOTES TO THE FINANCIAL STATEMENTS

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### 21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	1,943,587	2,851,521	331,788	484,042
Accruals	4,349,810	2,845,785	1,610,430	1,816,534
Amount due to related parties	457,451	404,000	457,451	-
	6,750,848	6,101,306	2,399,669	2,300,576

Related parties refer to companies in which a Director, Ng Swee Kiat has substantial financial interest which are unsecured, interest free and has no fixed term of repayment.

### 22. AMOUNT DUE TO A DIRECTOR

#### Group and Company

The amount due to a Director is unsecured, interest free and has no fixed term of repayment.

### 23. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Jetty service income	354,563	903,835	-	-
Management fees from subsidiary companies	-	-	132,000	132,000
Property development revenue	-	4,250,425	-	-
Sales of goods	13,614,058	23,674,727	-	-
	13,968,621	28,828,987	132,000	132,000



## NOTES TO THE FINANCIAL STATEMENTS

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### 24. (LOSS)/PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Audit fee	61,500	61,500	19,000	19,000
Amortisation of goodwill	-	21,767	-	-
Bad debts written off	1,613,878	141,780	-	-
Corporate exercise expenses	-	1,134,341	-	1,134,341
Depreciation	1,522,831	1,608,677	33,380	37,136
Director's remuneration				
- fees	-	24,000	-	24,000
- other emoluments	146,600	649,040	11,600	11,600
Impairment loss of goodwill	81,708	-	-	-
Inventories written down	1,145,893	80,000	-	-
Interest expenses:				
- bank overdrafts	1,099,778	323,850	700,982	692,596
- bankers' acceptances	882,920	337,848	-	143,895
- bills payables	4,235	156,796	-	-
- export credit refinancing	285,067	266,039	285,067	266,039
- finance payables	35,664	59,805	-	-
- revolving credits	491,206	141,035	302,311	382,329
- term loan	360,483	27,732	-	-
- trust receipts	5,600	481	-	-
- others	31,303	47,300	-	148,968
Loss on disposal of property, plant and equipment	28,855	37,300	-	-
Property, plant and equipment written off	-	8,200	-	-
Provision for doubtful debts				
- specific	549,677	-	-	-
Bad debts recovered	(3,700)	-	-	-
Waiver of debts	(2,494,077)	-	(719,661)	-
Interest income:				
- fixed deposits	(6,661)	(15,799)	-	-
- others	-	(52,690)	-	-
Rental deposit forfeited	(37,550)	-	-	-
Rental income	(71,874)	(63,670)	-	-
Provision for doubtful debts no longer required	(226,751)	-	-	-

The estimated monetary value of benefits provided to the Directors of the Group during the year amounted to Nil (2005: RM26,400)

Excluded from the interest expense of the Group is an amount of Nil (2005: RM1,550,876) being capitalised as development expenditure (Note 13 (a) and (b)).



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### 25. EXCEPTIONAL ITEMS

#### Group

Exceptional items refer to:-

- (a) Impairment loss on land held for property development recognised during the year as disclosed in Note 13(a) to the financial statements.
- (b) Loss on deconsolidation of a wholly owned subsidiary, Harvest Timber Products (Australia) Pty Ltd as disclosed in Note 14 to the financial statement.

#### Company

Exceptional item refers to impairment loss on investment in subsidiary companies.

### 26. TAXATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Real property gain tax under-provided in prior year	-	3,025	-	-
Relating to reversal of temporary differences (Note 11)	(11,000)	(22,000)	-	-
	(11,000)	(18,975)	-	-

There is no provision for taxation for the Company as the Company has no chargeable income.

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Loss before taxation	(16,465,582)	(5,680,057)	(20,697,155)	(1,267,760)
Income tax at rate of 28%	(4,610,363)	(1,590,416)	(5,795,203)	(354,973)
Tax effect in respect of :				
Non-allowable expenses	3,592,260	654,394	6,021,707	348,623
Income not subject to tax	(231,476)	-	-	-
Utilisation of previously unrecognised temporary difference on property development loss	-	(435,734)	-	-
Deferred tax assets not recognised in the financial statements	1,601,900	1,405,981	-	8,632
Expenses subject to double deduction	(135,717)	(53,559)	-	-
Utilisation of previously unrecognised deferred tax assets	(118,300)	(2,666)	(117,200)	(2,282)
Tax savings from utilisation of group relief	(43,583)	-	(43,583)	-
Tax savings from utilisation of reinvestment allowances	(65,721)	-	(65,721)	-



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	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current year tax expense	(11,000)	(22,000)	-	-
Real property gain tax under - provided in prior year	-	3,025	-	-
<b>Tax expense for the year</b>	<b>(11,000)</b>	<b>(18,975)</b>	<b>-</b>	<b>-</b>
Unabsorbed reinvestment allowances carried forward subject to agreement of tax authority	1,231,000	1,312,000	-	234,700

### 27. LOSS PER SHARE

#### (a) Basic loss per share

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

	2006	2005
Net loss attributable to equity holders of the Company (RM)	(16,380,629)	(5,660,663)
Weighted average number of ordinary shares in issue	22,669,900	22,571,222
Basic loss per share (Sen)	(72.3)	(25.0)

#### (b) Diluted loss per share

For the share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at market price (determined based on the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the "unpurchased" shares to be added to the weighted average number of ordinary shares outstanding for the purpose of computing the diluted loss per share. No adjustment is made to net loss attributable to equity holders of the Company for the diluted loss per share calculation.

There is no diluted loss per share as there is no potential dilutive ordinary share.

### 28. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Salary, bonus and wages	1,558,876	2,977,897	-	-
Contribution to defined contribution plan	105,209	157,512	-	-
Other benefits	115,134	168,084	-	-
<b>Total</b>	<b>1,779,219</b>	<b>3,303,493</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### 29. COMMITMENTS

	2006 RM	Group 2005 RM
Approved and contracted for:		
- Buildings	-	800,000

### 30. CONTINGENT LIABILITIES AND OBLIGATION

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

#### (a) Guarantees (unsecured)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Corporate guarantees given to licensed for banking facilities granted to subsidiary companies	-	-	24,003,918	20,833,000

#### (b) Litigation

##### Group and Company

Legal suit filed by Kilang Papan Galas Setia (Kelantan) Sdn. Bhd. against the Company for the alleged sum of RM428,827 in respect of the disputed raw material sold and delivered to the Company.

Having regard to legal advice received and in all circumstances, the Directors are of the opinion that these claims are unlikely to succeed and will not give rise to liabilities that would have material effects on the Group's financial position. Accordingly, no provision has been made relating to these claims in the financial statements.

### 31. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2006 RM	2005 RM
<b>Group</b>		
<b>Transactions with companies in which a Director have interest</b>		
Rental expenses paid to:		
- Port Klang Jetty Sdn. Bhd.	264,000	36,000
- Wangsa Kinta Sdn. Bhd.	30,000	-
In all the above companies, a Director Ng Swee Kiat, has substantial financial interest.		
<b>Transactions with a person connected to a Director</b>		
Rental expenses paid to Ng Chuan Seng @ Ng Teck Huat	72,000	-





## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

	2006 RM	2005 RM
<b>Company</b>		
<b>Transactions with subsidiary companies</b>		
Management fees from subsidiary companies	132,000	132,000
Interest reimbursed from subsidiary companies	1,288,360	1,633,827

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

### 32. SEGMENT REPORTING – GROUP

#### (a) Primary Segmental Reporting - Business Segments

2006	Timber product manufacturing RM	Construction RM	Property development RM	Investment holding and others RM	Eliminations RM	Consolidated RM
<b>Revenue</b>						
External revenue	13,595,510	-	354,563	18,548	-	13,968,621
Inter-segment revenue	3,404,548	-	-	132,000	(3,536,548)	-
Total segment revenue	17,000,058	-	354,563	150,548	(3,536,548)	13,968,621
<b>Results</b>						
Segment (loss)/profit from operations	(2,610,851)	(247,017)	(386,895)	682,011	-	(2,562,752)
Interest income	6,661	-	-	1,288,360	(1,288,360)	6,661
Unallocated corporate expenses						(81,708)
Loss from operations						(2,637,799)
Finance costs	(2,005,234)	(2,217)	(1,369,337)	(1,292,173)	1,288,360	(3,380,601)
Exceptional items	-	-	(8,805,952)	(1,641,230)	-	(10,447,182)
Loss before taxation						(16,465,582)
Taxation						11,000
Net loss for the year						(16,454,582)
<b>Assets</b>						
Segment assets	23,468,010	59,851	11,834,754	493,633	-	35,856,248
Tax recoverable	949	-	7,996	318	-	9,263
Consolidated total assets						35,865,511



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

2006	Timber product manufacturing RM	Construction RM	Property development RM	Investment holding and others RM	Eliminations RM	Consolidated RM
<b>Liabilities</b>						
Segment liabilities	23,416,636	773,852	7,045,211	17,141,815	-	48,377,514
Deferred tax liabilities	306,000	-	-	-	-	306,000
Tax payable	601,873	-	7,000	149,696	-	758,569
Consolidated total liabilities						49,442,083
<b>Other information</b>						
Capital expenditure on property, plant and equipment	35,575	-	-	-	-	35,575
Depreciation	1,473,007	12,433	3,435	33,956	-	1,522,831
Impairment loss on land held for property development	-	-	8,805,952	-	-	8,805,952
Loss on deconsolidation of a subsidiary company	-	-	-	1,641,230	-	1,641,230
<b>2005</b>						
<b>Revenue</b>						
External revenue	23,674,727	-	5,154,260	-	-	28,828,987
Inter-segment revenue	10,046,085	1,923,236	-	132,000	(12,101,321)	-
Total segment revenue	33,720,812	1,923,236	5,154,260	132,000	(12,101,321)	28,828,987
<b>Results</b>						
Segment loss from operations	(1,621,945)	(136,720)	(969,720)	(1,265,851)	-	(3,994,236)
Interest income	15,891	-	52,598	1,633,827	(1,633,827)	68,489
Unallocated corporate expenses						(21,767)
Loss from operations						(3,947,514)
Finance costs	(1,717,834)	(1,034)	(661)	(1,646,841)	1,633,827	(1,732,543)
Loss before taxation						(5,680,057)
Taxation						18,975
Net loss for the year						(5,661,082)



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

2005	Timber product manufacturing RM	Construction RM	Property development RM	Investment holding and others RM	Eliminations RM	Consolidated RM
<b>Assets</b>						
Segment assets	33,295,330	78,944	20,635,900	422,944	-	54,433,118
Tax recoverable	58,066	-	7,996	318	-	66,380
Unallocated corporate assets						388,612
Consolidated total assets						54,888,110
<b>Liabilities</b>						
Segment liabilities	26,702,613	1,175,071	5,868,276	17,231,689	-	50,977,649
Deferred tax liabilities	317,000	-	-	-	-	317,000
Tax payable	601,873	-	7,000	102,722	-	711,595
Consolidated total liabilities						52,006,244
<b>Other information</b>						
Capital expenditure on property, plant and equipment	489,232	62,693	3,159	2,950	-	558,034
Depreciation	1,555,534	11,996	3,435	37,712	-	1,608,677

### (b) Secondary segmental reporting – Geographical segment

	Revenue RM	Segment assets RM	Capital expenditure RM
<b>2006</b>			
Malaysia	13,968,621	35,856,248	35,575
Australia	-	-	-
	13,968,621	35,856,248	35,575
<b>2005</b>			
Malaysia	21,018,771	50,299,547	558,034
Australia	7,810,216	4,133,571	-
	28,828,987	54,433,118	558,034

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

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

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

### 33. FINANCIAL INSTRUMENTS

#### (a) Interest rate risk

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

Group	Less than 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM	Effective interest rate during the year
<b>2006</b>					
<b>Financial liabilities</b>					
Bank overdrafts	12,276,456	-	-	12,226,457	7.75%-10.25%
Bankers' acceptances	12,857,415	-	-	12,857,415	3.25%-10.25%
Export credit refinancing	3,405,217	-	-	3,405,217	9.50%
Revolving credits	5,423,880	-	-	5,423,880	6.70%-10.25%
Al-Bai Bithaman Ajil	335,493	-	-	335,493	8.00%
Term loan	5,359,515	-	-	5,359,515	8.45%- 8.60%
Finance payables	204,786	116,732	16,058	337,576	3.30%- 6.40%
<b>2005</b>					
<b>Financial assets</b>					
Fixed deposits with a licensed bank	-	539,134	-	539,134	3.00%
<b>Financial liabilities</b>					
Bank overdrafts	11,524,311	-	-	11,524,311	6.00%- 9.60%
Bankers' acceptances	13,169,175	-	-	13,169,175	2.95%- 3.45%
Export credit refinancing	3,120,150	-	-	3,120,150	9.50%
Revolving credits	5,423,880	-	-	5,423,880	6.35%- 6.90%
Al-Bai Bithaman Ajil	86,519	248,974	-	335,493	8.00%
Bills payables	1,834,282	-	-	1,834,282	7.25%- 9.50%
Term loan	5,019,226	-	-	5,019,226	6.00%- 8.50%
Trust receipts	230,878	-	-	230,878	3.00%- 3.25%
Finance payables	211,616	382,272	11,764	605,652	3.30%- 6.40%



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

Company	Less than 1 year RM	Effective interest rate during the year
<b>2006</b>		
<b>Financial liabilities</b>		
Bank overdrafts	7,269,591	9.25%-9.75%
Bankers' acceptances	727,175	8.00%-8.50%
Revolving credits	3,223,880	7.30%-7.85%
Export credit refinancing	3,405,217	9.50%
<b>2005</b>		
<b>Financial liabilities</b>		
Bank overdrafts	6,715,902	9.00%-9.60%
Bankers' acceptances	727,175	3.25%-3.45%
Revolving credits	3,223,880	6.60%-6.90%
Export credit refinancing	3,120,150	9.50%

### (b) Credit risk

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

The Company has no significant concentration of credit risk with any single counterparty.

### (c) Fair value

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

## 34. SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 8 May 2006, pursuant to Paragraph 8.14C(2) and Practice Note No. 17/2005 ("PN17") of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"), HCIB is considered an "affected listed issuer" in accordance to paragraph 2.1(a) as its shareholders' equity on a consolidated basis is less than 25% of the Company's issued and paid-up share capital and such shareholders' equity is less than the minimum issued and paid-up capital as required under paragraph 8.16A(1) of the Listing Requirements.
- (b) On 29 May 2006, Harvest Timber Products (Australia) Pty. Ltd. ("HTP"), a wholly owned subsidiary company of Harvest Court Management Sdn Bhd, which in turn a wholly owned subsidiary company of the Company, was placed under Voluntary Creditors' Winding-up. Consequently, HTP ceased to be a subsidiary company to the Company. HTP was previously engaged in business of import timber and wholesale of timber products.
- (c) During the year, a wholly owned subsidiary company of the Company, Harvest Rimba Sdn. Bhd. aborted the Sale and Purchase Agreement entered into with Contilogic Sdn. Bhd. on 11 November 2005 to dispose off a piece of vacant land for a total consideration of RM1,000,000. The reason for the abortion was that Harvest Rimba Sdn. Bhd. has defaulted the Condition Precedent in the Sale and Purchase Agreement to deliver to Contilogic Sdn. Bhd. the separate issue document of title(s) in respect of the said Land as approval was yet to be obtained from the relevant authority.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### 35. SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 17 January 2007, Harvest Court Management Sdn Bhd, a wholly owned subsidiary company of the Company has entered into a conditional joint venture agreement with Laing Huan dan Rakan to undertake the harvesting of timber pursuant to the Concession Rights to harvest timber within a designated area of approximately 3,000 acres in Sg. Belatang, Btg Balui Belaga, Sarawak in the next three (3) years from operating the Concession Rights.

The proposed joint venture is subject to the approval of Securities Commission of the Group's Proposed Corporate and Debts Restructuring Scheme.

- (b) On 31 January 2007, the Company submitted to the SC and relevant authorities its regularisation plan as follows:-
- (i) Proposed share capital reduction pursuant to Section 64(1)(b) of the Companies Act, 1965 involving the reduction of the par value of each existing Harvest Court Industries Berhad ("HCIB") Share from RM1.00 to RM0.25 via the cancellation of RM0.75 of the par value of each HCIB Share of RM1.00 each;
  - (ii) Proposed reduction of the share premium account of HCIB of up to RM873,000 pursuant to Sections 64(1) and 60(2) of the Act;
  - (iii) Proposed amendments to the Company's Memorandum and Articles of Association;
  - (iv) Proposed renounceable rights issue of up to a maximum of 52,820,000 new ordinary shares of RM0.25 each with up to 52,820,000 free detachable warrants in HCIB on the basis of thirty six (36) Rights Shares with thirty six (36) free detachable warrants for every seventeen (17) existing HCIB Shares of RM0.25 each (after the Proposed Share Capital Reduction) held at an indicative issue price of RM0.25 per Rights Share;
  - (v) Proposed acquisition of four (4) parcels of leasehold industrial land at a total purchase consideration of RM5,370,000 to be satisfied entirely by the issuance of 21,480,000 new HCIB Shares of RM0.25 each at an issue price of RM0.25 per share together with 5,370,000 free detachable warrants on the basis of one (1) free detachable warrant for every four (4) new HCIB Shares of RM0.25 each issued;
  - (vi) Proposed settlement of debts owing to the Bank Lenders and statutory creditors of HCIB Group amounting up to RM38,691,969 and RM1,431,548 respectively as at 31 December 2005;
  - (vii) Conditional Joint Venture; and
  - (viii) Proposed waiver application to the SC from the obligation to undertake a mandatory offer for the remaining HCIB Shares of RM0.25 each not already owned by the substantial shareholders under Practice Note 2.9.1 of the Malaysian Code on Take-Overs And Mergers, 1998.

(The abovementioned are collectively known as "Proposals")

The Ministry of International Trade and Industry ("MITI") vide its letter dated 26 March 2007, has taken note and has no objections to the above proposals.

However, MITI's approval is subject to the Company having obtained the SC's approval and complies with the Foreign Investment Committee's Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests.

The Proposals is pending the approval of the SC.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2006

### 36. COMPARATIVE INFORMATION

The following comparative figures have been restated on the face of balance sheets and cash flow statements in line with the resignation of Ng Chuan Seng @ Ng Teck Huat as Director of the Company during the year and to conform with current year presentation.

	Group		Company	
	As reclassified RM	As previously reported RM	As reclassified RM	As previously reported RM
<b>BALANCE SHEETS</b>				
<b>CURRENT ASSETS</b>				
Other receivables, deposits and prepayment	894,740	1,349,840	348,578	803,678
<b>CURRENT LIABILITIES</b>				
Other payables and accruals	6,101,306	5,943,826	2,300,576	2,143,096
Amount due to a Director	1,071,590	1,232,961	1,071,590	1,232,961
Short term borrowings	40,408,421	40,859,630	13,787,107	14,238,316
<b>CASH FLOWS STATEMENTS</b>				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Changes in working capital: Payables	736,447	285,238	(209,144)	(660,353)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Bankers' acceptances	(625,772)	(174,563)	(5,893,772)	(5,442,563)



## GROUP'S LANDED PROPERTIES

as at 31 December 2006

Location	Description	Tenure	Area sq. m.	Approximate Age (Years)	Net Book Value	Date of Acquisition	Existing use
1. Unit B-11-1 Megan Phileo Promenade Section 43 Town of Kuala Lumpur	- Office lot	Freehold	210	9	514,916	1997	Vacant
2. 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	* Rented	36,000	16 } } } } } } } } } } 9 }	4,925,190	1990	Factory and Office
3. Mukim of Kuala Linggi District of Alor Gajah State of Malacca	- Land held for development	Leasehold 99 years (pending issuance of titles)	141,640	11	9,500,000	1995	Vacant
4. Geran 55040, Lot 82107, Seksyen 30 Bandar Klang, Klang, Selangor	- Land held for development	Freehold	5,332	10	1,520,000	1996	Land held for development purposes
5. Lot 10568, Jalan Papan Pandamaran Industrial Area 42000 Port Klang	- KD Plant and warehouse	* Rented	4,181	7	3,925,534	1999	KD Chambers

\* The buildings are erected on the land rented from a director related company.





## ANALYSIS OF SHAREHOLDINGS

as at 10 May 2007

AUTHORIZED SHARE CAPITAL	:	RM25,000,000.00
ISSUED AND FULLY PAID-UP CAPITAL	:	RM22,669,900.00
CLASS OF SHARES	:	ORDINARY SHARES OF RM1.00 EACH
VOTING RIGHTS	:	ONE VOTE PER ORDINARY SHARE
NUMBER OF SHAREHOLDERS	:	2,236

### DISTRIBUTION OF SHAREHOLDINGS AS AT 10 MAY 2007

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	NO. OF ORDINARY SHARES	%
LESS THAN 100	1	50	0.00
100 TO 1,000	1,102	1,083,000	4.78
1,001 TO 10,000	977	3,546,150	15.64
10,001 TO 100,000	130	3,414,700	15.06
100,001 TO LESS THAN 5% OF ISSUED SHARES	25	8,114,800	35.80
5% AND ABOVE OF ISSUED SHARES	1	6,511,200	28.72
<b>TOTAL</b>	<b>2,236</b>	<b>22,669,900</b>	<b>100.00</b>

### DIRECTORS' SHAREHOLDINGS AS AT 10 MAY 2007

#### (a) In the Company

NO.	NAMES	DIRECT		INDIRECT	
		NO. OF SHARES	%	NO. OF SHARES	%
1.	NG SWEE KIAT	379,000	1.67	7,822,200 *	34.50
2.	SUKHINDERJIT SINGH MUKER	10,000	0.04	–	–
3.	DATO' ZAINAL BIN MD DEROS	–	–	–	–
4.	ZAINURI BIN ZAINAL	–	–	–	–
5.	MOHD ZAIDI BIN ISMAIL	–	–	–	–

#### (b) In Related Corporations

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

NO.	NAME OF COMPANIES	DIRECT		INDIRECT	
		NO. OF SHARES	%	NO. OF SHARES	%
1.	Harvest Court Corporation Sdn. Bhd.	–	–	3,000,000	100.00
2.	Harvest Court Development Sdn. Bhd.	–	–	2,200,000	100.00
3.	Harvest Court (M) Sdn. Bhd.	–	–	1,600,000	100.00
4.	Harvest Court Management Sdn. Bhd.	–	–	2,000,000	100.00
5.	Harvest Court Marketing Sdn. Bhd.	–	–	3,000,000	100.00
6.	Harvest Court Properties Sdn. Bhd.	–	–	5,000,000	100.00
7.	Harvest Exporter Sdn. Bhd.	–	–	3,500,000	100.00
8.	Harvest Lumber Sdn. Bhd.	–	–	13,000,000	100.00
9.	Harvest Nation Sdn. Bhd.	–	–	1,200,000	100.00
10.	Harvest Rimba Sdn. Bhd.	–	–	10,000,000	98.80
11.	Quantum Pro Sdn. Bhd.	–	–	4,000,000	100.00
12.	Timbeck (M) Sdn. Bhd.	–	–	2	100.00



## ANALYSIS OF SHAREHOLDINGS

as at 10 May 2007

### LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE) AS AT 10 MAY 2007

NO.	NAMES	DIRECT		INDIRECT	
		NO. OF SHARES	%	NO. OF SHARES	%
1.	HARVEST COURT HOLDINGS (M) SDN. BHD.	6,664,200	29.40	–	–
2.	NG CHUAN SENG @ NG TECK HUAT	218,400	0.96	7,982,800 *	35.21
3.	NG SWEE KIAT	379,000	1.67	7,822,200 *	34.50
4.	NG SWEE KEONG	612,000	2.70	7,589,200 *	33.48
5.	NG AI CHENG	214,100	0.94	7,987,100 *	35.23
6.	NG SIEW HIANG	–	–	8,201,200 *	36.18
7.	GAN KOK HWA	3,500	0.02	8,197,700 *	36.16
8.	YANG PEING NAN	100,000	0.44	8,101,200 *	35.74
9.	GAN TIAN HOOI	–	–	8,201,200 *	36.18
10.	QUEK ENG PIEW	10,000	0.04	8,191,200 *	36.13
11.	HOE GEOK KHENG	–	–	8,201,200 *	36.18

\* DEEMED INTEREST BY VIRTUE OF THE DIRECT AND INDIRECT INTEREST HELD VIA THEIR FAMILY MEMBERS. NG SWEE KIAT, NG SWEE KEONG, NG AI CHENG AND NG SIEW HIANG ARE SIBLINGS AND ARE THE CHILDREN OF NG CHUAN SENG @ NG TECK HUAT AND HOE GEOK KHENG; YANG PEING NAN IS THE SPOUSE OF NG SWEE KIAT; GAN TIAN HOOI IS THE SPOUSE OF NG SWEE KEONG; QUEK ENG PIEW IS THE SPOUSE OF NG AI CHENG; GAN KOK HWA IS THE SPOUSE OF NG SIEW HIANG. NG SWEE KIAT, NG SWEE KEONG, NG CHUAN SENG @ NG TECK HUAT AND HOE GEOK KHENG ARE DEEMED INTERESTED IN HCIB BY VIRTUE OF THEIR SHAREHOLDINGS OF 15% OR MORE IN HCHSB PURSUANT TO SECTION 6A OF THE COMPANIES ACT, 1965.

### EMPLOYEE SHARE OPTION SCHEME AS AT 10 MAY 2007

NO.	NAMES	AMOUNT OF OPTIONS OFFERED	AMOUNT OF OPTIONS EXERCISED	OPTION PRICE
1.	NG SWEE KIAT	300,000	300,000	1.00
2.	SUKHINDERJIT SINGH MUKER	100,000	0	1.00
3.	DATO' ZAINAL BIN MD DEROS	–	–	–
4.	ZAINURI BIN ZAINAL	–	–	–
5.	MOHD ZAIDI BIN ISMAIL	–	–	–

### LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 10 MAY 2007

Name	No. of Shares Held	Percentage
1. Harvest Court Holdings (M) Sdn. Bhd.	6,664,200	29.40
2. Chan Sau Poh	895,900	3.95
3. SJ Sec Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan Saw Sim</i>	848,000	3.74
4. Ng Chooi Lan	774,600	3.42
5. Amsec Nominees (Tempatan) Sdn. Bhd. <i>AmBank (M) Berhad for Wong Wei Shan</i>	745,100	3.29
6. Ng Swee Keong	612,000	2.70
7. Ong Kok Thye	511,800	2.26
8. AMSEC Nominees (Tempatan) Sdn. Bhd. <i>Ambank (M) Berhad for Ng Swee Kiat</i>	379,000	1.67
9. SJ SEC Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chan Sai Kim</i>	321,100	1.42



## ANALYSIS OF SHAREHOLDINGS

as at 10 May 2007

Name	No. of Shares Held	Percentage
10. Loh Sai Eng	264,400	1.17
11. Tan Ching Ching	263,900	1.16
12. Mayban Securities Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ong Huey Peng</i>	219,200	0.97
13. Ng Chuan Seng @ Ng Teck Huat	218,400	0.96
14. Ng Ai Cheng	214,100	0.94
15. Tan Han Chuan	209,000	0.92
16. HLG Nominee (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Yang Sin Tzong (CCTS)</i>	207,000	0.91
17. Ho Chwee Lan	199,400	0.88
18. Ahmad Kamaruzaman Bin Mohamed Baria	186,800	0.82
19. Low Yoke Choo	153,400	0.68
20. Affin Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chung Kin Chuan</i>	136,000	0.60
21. SJ Sec Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan Saw Sim</i>	133,100	0.59
22. HLB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lai Voon Huey</i>	125,000	0.55
23. Thean Yin Kong	120,900	0.53
24. Thean Wooi Khiong	118,700	0.52
25. Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Yeo Peng Huat (AFF)</i>	105,000	0.46
26. Yang Peing Nan	100,000	0.44
27. Mayban Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Kuan Shin Nyiap</i>	88,000	0.39
28. Low Leong Hock	80,000	0.35
29. Chooi Kau @ Choy Chun Yuen	70,000	0.31
30. Kwan Chee Tong	65,300	0.29
Total	15,029,300	66.29



## APPENDIX 1

### Harvest Court Industries Berhad

#### Proposed Amendments to the Articles of Association of the Company

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 2 (Definition)	“Approved Market Place” means A stock Exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No. 2) Order 1998.	Deleted.
Article 2 (Definition)	“Central Depository” means Malaysian Central Depository Sdn. Bhd..	“Depository” means the Bursa Malaysia Depository Sdn. Bhd. and that the words “Central Depository” which appears throughout the Articles be substituted with “Depository”.
Article 2 (Definition)	“Deposited Security” means a securities standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense.	“Deposited Security” shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act, 1991.
Article 2 (Definition)	“Rules” The rules of the Central Depository.	“Rules / Rules of the Depository” shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act, 1991.
Article 5(b)  Restrictions on issue of shares	No issue of preferred shares shall be made which would result in the total nominal value of issued preferred shares exceeding the total nominal value of the issued ordinary shares at the time of such issue.	Deleted.
Article 33  Transmission of securities from Foreign Register	(1) Where:- (a) the shares or other securities of the Company are listed on an Approved Market Place; and (b) the company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such shares or other securities;	Where:- (a) the Securities of the Company are listed on another stock exchange; and (b) the Company is exempted from compliance with Section 14 of the Securities Industries (Central Depositories) Act 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such Securities,



## APPENDIX 1

### Harvest Court Industries Berhad

### Proposed Amendments to the Articles of Association of the Company

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 33	<p>The Company shall, upon request of a holder of shares or other securities, permit a transmission of shares or other securities held by such holder of shares or other securities held by such holder of share or other securities from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the Registrar of the Company in Malaysia ("hereinafter referred to as "the Malaysian Register") subject to the following conditions:-</p> <p>(i) there shall be no change in the ownership of such shares or other securities; and</p> <p>(ii) the transmission shall be executed by causing such shares or securities to be credited directly into the securities account of such holder of shares or other securities.</p> <p>(2) For the avoidance of doubt, where the Company fulfils the requirements of sub-paragraphs (a) and (b) of Articles 33(1), it shall not allow any transmission of shares or other securities from the Malaysian Register into the Foreign Register.</p>	<p>the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.</p> <p>Deleted.</p>
Article 50 Rights of preference shareholders	<p>Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audit accounts, and attending General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a proposal for the disposal of the whole of the Company's property, business and undertaking, or where the proposition to be submitted to the meeting directly affect their rights, or when the dividend on the preference shares is in arrear for more than six (6) months or convened during the winding-up. The holder of preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.</p>	<p>Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audit accounts, and attending General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a proposal for the disposal of the whole of the Company's property, business and undertaking, or where the proposition to be submitted to the meeting directly affect their rights, or when the dividend on the preference shares is in arrear for more than six (6) months or convened during the winding-up.</p>



## APPENDIX 1

### Harvest Court Industries Berhad

#### Proposed Amendments to the Articles of Association of the Company

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 51A Ranking of class rights	(New Article)	The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith but in no respect in priority thereto.
Article 56 Notice of Meeting	Subject to the provisions of the Act as to Special Resolutions and special notice and the provisions of the Listing Requirements, a meeting called for the passing of a special resolution or where it is an Annual General meeting shall be called by twenty-one (21) days notice in writing at the least. Any other meeting of the Company shall be called by at least fourteen (14) days' notice in writing (exclusive both of the date on which the notice is served or deemed to be served and of the day which the notice is given) and the notice shall be given in the manner hereinafter mentioned to such persons as are under the provisions herein contained entitled to receive notice from the Company. The Company shall by written request made in duplicate in the prescribe form, request the Central Depository at least three (3) Market Days prior to and not including the date of the notice of the general meeting to prepare the Record of Depositors to whom notices of general meetings shall be given by the Company. At least fourteen (14) days' notice of such Meeting shall be given by advertisement in the daily newspaper and in writing to any Stock exchange upon which the Company may be listed. Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have duly called if it is so agreed.	<p>The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed.</p> <p>For a General Meeting that it has been called by a shorter notice shall be deemed to have duly called if it is so agreed :-</p> <p>(a) in the case of an Annual General meeting by all the Members entitled to attend and vote thereat and</p> <p>(b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat; being a majority which together holds not less than ninety-five per cent (95%) in nominal value of shares giving a right to attend and vote.</p> <p>Provided also that the accidental omission to give notice to, or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting.</p>
	<p>(a) in the case of an Annual General meeting by all the Members entitled to attend and vote thereat and</p> <p>(b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat; being a majority which together holds not less than ninety-five per cent (95%) in nominal value of shares giving a right to attend and vote.</p>	



## APPENDIX 1

### Harvest Court Industries Berhad

### Proposed Amendments to the Articles of Association of the Company

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 57 Record of Depositors	<p>Provided also that the accidental omission to give notice to, or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting.</p> <p>The Company shall inform the Central Depository of the dates of general meetings and shall in written request made in duplicate in the prescribed form, request the Central Depository at least three (3) Market Days prior to and not including the date of the general meeting, to prepare the Record of Depositors. The General Meeting Records of Depositor shall be the final record of all depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and to vote at such meeting.</p>	<p>(1) The Company shall request the Depository in accordance with the Rules of the Depository, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company</p> <p>(2) The Company shall also request the Depository in accordance with the Rules of the Depository, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than 3 market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").</p> <p>(3) Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General meeting Record of Depositors.</p>
Article 58 Contents of notice and advertisement	<p>Subject to the provisions of the Act as to Special Resolutions and special notice and the provisions of the Listing Requirements as to Annual General Meetings, the notices convening meetings shall specify the place, day and hour of the meeting and shall be given to all shareholders, at least fourteen (14) days before the meeting. Any notice of the meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special businesses. At least fourteen (14) days' notice of every such meeting shall be given by advertisement in the daily press and in writing to each stock exchange upon which the Company is listed.</p>	Deleted.



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### Harvest Court Industries Berhad

#### Proposed Amendments to the Articles of Association of the Company

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
<p>Article 69</p> <p>Member to have one vote for every share</p>	<p>Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, every Member shall be entitled to be present and vote at any General Meeting in person or by proxy or represented by Attorney and shall have one (1) vote on a show of hands, and in case of a poll shall have one (1) vote for every share of which he is the holder, provided always that any Member who shall have become bankrupt or insolvent or (being a Company) gone into voluntary or compulsory liquidation (except for the purpose of reconstruction or sale to any other company) shall not while the bankruptcy or insolvency continues, be entitled to exercise the right of a Member to attend, vote or act at any meeting of the Company.</p>	<p>Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, every Member shall be entitled to be present and vote at any General Meeting in person or by proxy or represented by Attorney and shall have one (1) vote on a show of hands, and in case of a poll shall have one (1) vote for every share of which he is the holder, provided always that any Member who shall have become bankrupt or insolvent or (being a Company) gone into voluntary or compulsory liquidation (except for the purpose of reconstruction or sale to any other company) shall not while the bankruptcy or insolvency continues, be entitled to exercise the right of a Member to attend, vote or act at any meeting of the Company. On a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares who is personally present and entitled to vote shall be entitled to 1 vote. The provision of Section 149(1)(a) of the Act shall not apply to the Company.</p>
<p>Article 72A</p> <p>Shares of different monetary denomination.</p>	<p>(New Article)</p>	<p>Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such rights is exercisable.</p>
<p>Article 74</p> <p>Proxy need not be Member</p>	<p>Any instrument appointing a proxy to vote at a meeting shall be deemed to include the power on any question at any General Meeting to vote on a show of hands and to demand or concur in demanding a poll on behalf of the appointor. A proxy or attorney may but does not need to be a member and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.</p>	<p>Any instrument appointing a proxy to vote at a meeting shall be deemed to include the power on any question at any General Meeting to vote on a show of hands and to demand or concur in demanding a poll on behalf of the appointor. 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.</p>
<p>Article 78</p> <p>Appointment and number of directors</p>	<p>All the directors shall be natural persons and until otherwise determined by the Company at a General Meeting, the number of Directors shall not be less than two (2) nor more than nine (9) but in the event of any casual vacancy occurring and reducing the number of directors below the aforesaid minimum the continuing directors or director may act for the purpose of filing up such vacancy or vacancies or of summoning a general meeting of the Company.</p>	<p>Until otherwise determined by the Company at a General Meeting, the number of Directors shall not be less than two (2) nor more than nine (9) but in the event of any casual vacancy occurring and reducing the number of directors below the aforesaid minimum the continuing directors or director may act for the purpose of filing up such vacancy or vacancies or of summoning a general meeting of the Company.</p>







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**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 Twenth Ninth Annual General Meeting of the Company to be held at the Crystal 1, Level 1, Crystal Crown Hotel Harbour View, 217, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Wednesday, 27 June 2007 at 2.30 p.m. and at any adjournment thereof in the manner as indicate below:-

RESOLUTION	For	Against
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		

(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 .....2007

.....  
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 or attorney may but does not need to be a member and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia.
2. 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.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorized.
4. 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.



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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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