HARVEST COURT INDUSTRIES BERHAD
(36998-T)

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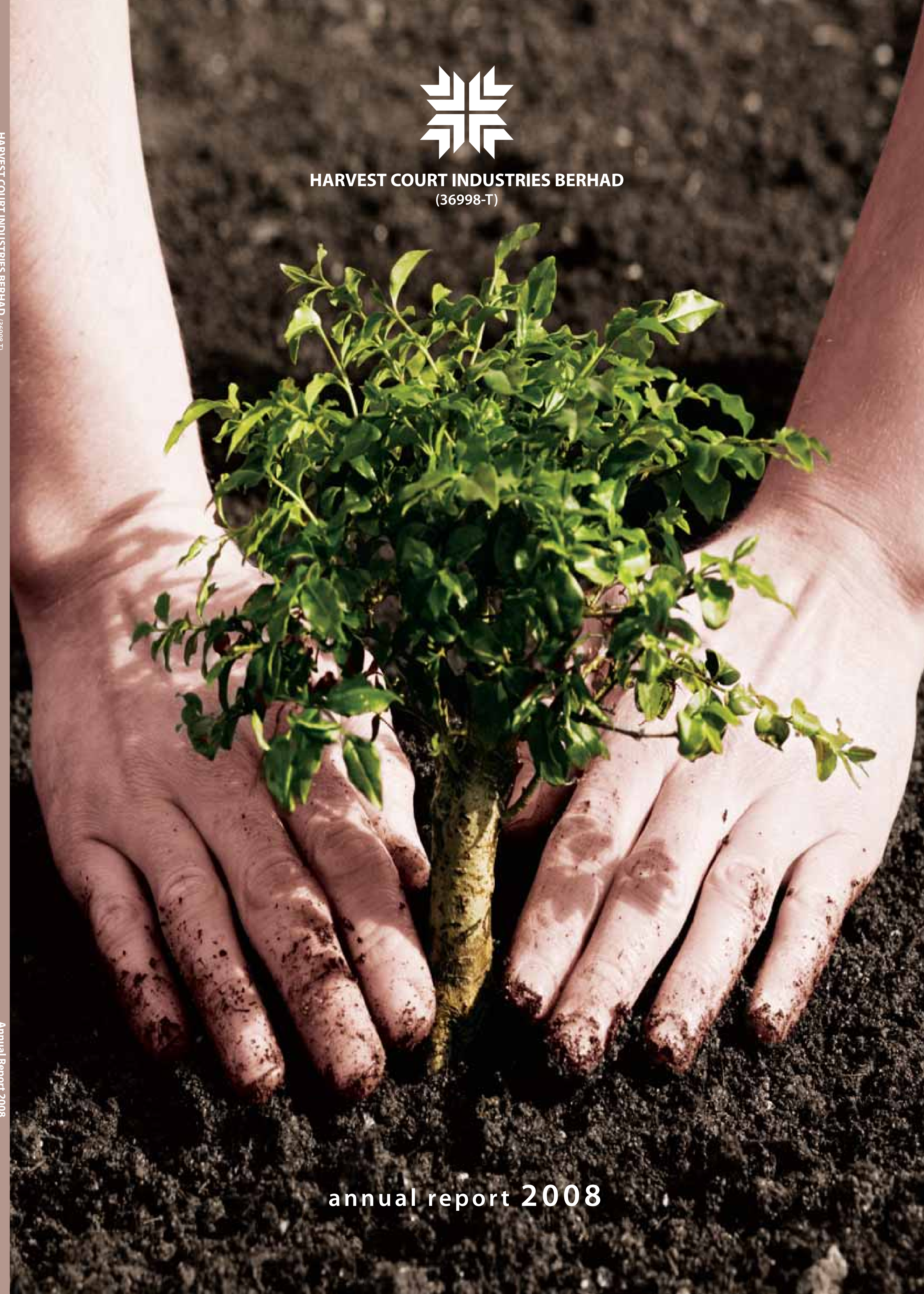
Annual Report 2008



HARVEST COURT INDUSTRIES BERHAD
(36998-T)

annual report 2008

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Corporate Information

BOARD OF DIRECTORS

Chairman/Managing Director
Ng Swee Kiat

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

AUDIT COMMITTEE

Chairman
Chua Eng Chin

Members
Sukhinderjit Singh Muker
Zainuri Bin Zainal

REMUNERATION COMMITTEE

Chairman
Sukhinderjit Singh Muker

Members
Ng Swee Kiat
Chua Eng Chin

NOMINATION COMMITTEE

Chairman
Sukhinderjit Singh Muker

Members
Zainuri Bin Zainal
Chua Eng Chin

COMPANY SECRETARIES

Lim Seck Wah (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) 31681336

SHARE REGISTRAR

MEGA CORPORATE SERVICES SDN. BHD.
(187984-H)
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel No. : (603) 26924271
Fax No. : (603) 27325388

PRINCIPAL BANKERS

Affin Bank Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Berhad
Omega Matrix (M) Sdn. Bhd.
RHB Bank Berhad
Alliance Merchant Bank Berhad

AUDITORS

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

SOLICITORS

Lovelace & Hastings
Law Practice of Rafique

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 Thirty First Annual General Meeting of the Company will be held at the Crystal Room, Level 1, Crystal Crown Hotel Harbour View, 217, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Friday, 26 June 2009 at 10.00 a.m. to transact the following businesses:-

1. To receive the audited financial statements for the year ended 31 December 2008 together with the Directors' and Auditors' Reports thereon.

   Please refer to Note A.

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

   - Mr. Sukhinderjit Singh Muker (Article 97) **Resolution 1**

3. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 2**

SPECIAL BUSINESSES :-

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

4. **As Ordinary Resolution**

   AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT subject to the Companies Act, 1965, and the approval of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares of the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution shall not exceed 10% of the issued capital of the Company at the date of this Annual General Meeting excluding the number of ordinary shares arising from the exercise of Employees' Share Option Scheme (ESOS), and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company; and FURTHER THAT the Directors be and are hereby empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Securities" **Resolution 3**

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
4 June 2009

Notice of Annual General Meeting *cont'd*

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 may but need not be a member of the Company. The provision of Section 149(1)(b) of the Act shall not apply to the Company.

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

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

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

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

6. **Explanatory Notes to Special Businesses**

   Resolution Pursuant to Section 132D of the Companies Act, 1965
   The Ordinary Resolution no. 3, 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.

Statement Accompanying Notice of Annual General Meeting

Further Details of Director Who is Standing for Re-election

The detail of Mr. Sukhinderjit Singh Muker, who is standing for re-election pursuant to Article 97 is set out in the Directors' Profile of this Annual Report.

Directors' Profiles

Ng Swee Kiat
Chairman/Managing Director

Mr. Ng, a Malaysian, aged 54, 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 28 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 Remuneration Committee of HCIB.

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

Mr. Ng attended all five Board meetings of HCIB held during the financial year ended 31 December 2008.

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.

Sukhinderjit Singh Muker
Independent/Non-Executive Director

Mr. Muker, a Malaysian, aged 62, was appointed to the Board of HCIB on 18 July 1994. Mr. Muker obtained a degree of Bachelor of Laws (Hons) from the University of London, England in 1972 and was conferred the degree of an Utter Barrister by the Honourable Society of Grays Inn, England in 1973. He has been in active practice with the firm of Messrs Lovelace & Hastings since he was called to the Malaysian Bar in 1974.

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

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

Mr. Muker attended four out of five Board meetings of HCIB held during the financial year ended 31 December 2008.

Mr. Muker holds 10,000 shares in HCIB. Mr. Muker has no family relationship with other directors or major shareholders of HCIB.

Mr. Muker shall retire by rotation and being eligible, hereby offers himself for re-election.

Directors' Profiles *cont'd*

Zainuri Bin Zainal
Independent/Non-Executive Director

En. Zainuri, a Malaysian, aged 36. He obtained a private pilot License with Instructor Rating (Aviation Career Academy, Lakeland Florida).

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

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

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

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

En. Zainuri has attended four out of five Board meetings of HCIB during the financial year ended 31 December 2008.

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

Chua Eng Chin
Independent/Non-Executive Director

Mr. Chua Eng Chin, a Malaysian, aged 50. He was appointed as an Independent Non-Executive Director of HCIB on 23 April 2008. He is a Fellow of The Association of Chartered Certified Accountants (ACCA) and also a member of Malaysian Institute of Accountants (MIA).

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

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

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

Mr. Chua has attended three out of three Board meetings of HCIB during the financial year ended 31 December 2008.

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

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

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 2008.

1. FINANCIAL PERFORMANCE

For the financial year ended 31 December 2008, the Group recorded a turnover of RM7,075,579, 22.5% lower than that of the previous financial year. The lower turnover was mainly due to lack of working capital to sustain sales orders. The lack of working capital was the result of the moratorium on our existing bank working capital facilities until the completion of the Proposed Corporate Restructuring Exercise.

2. CORPORATE EXERCISE PROPOSAL

Pursuant to Practice Note 17/2006 ("PN17") of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities"), the Company through its appointed Adviser, M/s PM Securities Sdn. Bhd. ("PM") had on behalf of the Board of Directors of HCIB, submitted the regularization plan to the relevant authorities on 31 January 2007. The Proposed Corporate and Debt Restructuring Scheme ("PCDRS") include 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 RN0.25 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.

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.

Chairman's Statement *cont'd*

2. CORPORATE EXERCISE PROPOSAL *cont'd*

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 the 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 subsequently, the SC had on 8 August 2007 approved the appeal in respect of the Proposed Land Acquisition vide its letter dated 2 August 2007.

Also, Bank Negara Malaysia had on 31 July 2007 granted permission for the issuance of up to 52,820,000 new warrants pursuant to the Proposed Rights Issue with Warrants vide its letter dated 22 June 2007.

Subsequently, the SC had on 9 August 2007 approved the Proposed Rights Issue with Warrants, Proposed Land Acquisition and Proposed Debt Settlement Scheme pursuant to FIC Guidelines vide its letter dated 8 August 2007.

PM on behalf of HCIB had on 2 November 2007 announced that:-

(i) the issue price of Rights Shares has been fixed at RM0.25 each;

(ii) The exercise price of the Warrants has been fixed at RM0.25 for one (1) new ordinary share of RM0.25 each in HCIB.

In respect to the above PCDRS and with the approvals by the relevant authorities, the Company had on 19 December 2007 convened an Extraordinary General Meeting to seek shareholders' approval to the PCDRS. The shareholders unanimously approved all the proposals.

PM on behalf of HCIB on 25 August 2008 announced that the High Court of Malaysia at Shah Alam has on 25 August 2008 granted the following orders vide HCIB's Originating Petition no. 26-19-2007:

i) The reduction of the capital of HCIB from RM22,669,900.00 to RM5,667,475.00 proposed to be effected by the special resolution set forth in paragraph 21.1 of the Petition ("Special Resolution 1") is confirmed by the Court;
ii) The share premium account of HCIB to be reduced by an amount of RM873,000.00 proposed to be effected by the special resolution set forth in paragraph 21.2 of the Petition is confirmed by the Court;
iii) The proposed terms of the Minute in compliance with Section 64(5) of the Companies Act, 1965 set forth in paragraph 22 of the Petition is approved;
iv) An office copy of the Order sought in the Petition shall be lodged with the Registrar of Companies; and
v) A notice of terms of Special Resolution 1 and the registration of the Order sought in the Petition be published once in "The Star" newspaper within one (1) month after such registration or the HCIB's receipt of the relevant Certificate of Lodgement of Order of High Court Confirming Reduction of Share Capital (Form 29) issued by the Registrar of Companies, whichever the later.

Announcements relating to the implementation of the Share Capital reduction and Share Premium Reduction will be made in due course.

On 21 March 2008, PM Securities announced that Bursa Malaysia Securities has, vide its letter dated 21 March 2008 approved the following:

(i) admission to the Official List and the listing and quotation of up to 72,203,625 new warrants comprising the following; and

    (a) up to 49,450,000 new warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
    (b) 5,370,000 new warrants to be issued pursuant to the Proposed Land Acquisition; and
    (c) 17,383,625 new warrants to be issued pursuant to the Proposed Debt Settlement Scheme.

Chairman's Statement *cont'd*

2. CORPORATE EXERCISE PROPOSAL *cont'd*

On 21 March 2008, PM Securities announced that Bursa Malaysia Securities has, vide its letter dated 21 March 2008 approved the following: *cont'd*

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

(a) up to 49,450,000 new ordinary shares of RM0.25 each to be issued pursuant to the Proposed Rights Issue with Warrants;
(b) 21,480,000 new ordinary shares of RM0.25 each to be issued pursuant to the Proposed Land Acquisition;
(c) 69,534,500 new ordinary shares of RM0.25 each to be issued pursuant to the Proposed Debt Settlement Scheme; and
(d) up to 72,203,625 new ordinary shares of RM0.25 each to be issued pursuant to the exercise of the Warrants.

On 2 January 2009, PM Securities announced that the Debt Restructuring Agreement has been duly signed by the company with its banks' creditors on 11 December 2008.

On 3 February 2009, PM Securities on behalf of the Board of Directors of HCIB announced the following pertaining to the proposals :-

i) The Debt Restructuring Agreement has been duly signed by the company with its banks' creditors on 11 December 2008;
ii) The company had on 16 January 2009 mutually agreed with NCS, PKJSB and WKSB for an extension of time for a period of six (6) months commencing from 17 January 2009 until 16 July 2009 for the parties to complete the Proposed Land Acquisition.

The PCDRS is now pending implementation of the Proposed Rights Issue, completion of the Proposed Land Acquisition and Debt Settlement Scheme.

3. INDUSTRY TREND AND DEVELOPMENT

The Malaysian timber industry is one of the major contributors to the Malaysian economy and has provided employment to about 300,000 workers. Malaysia is one of the world's largest exporter of tropical timber and timber products and the 10th largest exporter of furniture (second in Asia) with over 160 export destinations. Malaysia has also established itself as a major producer and exporter of sawn timber, panel products (plywood, medium density fireboard (MDF) and particleboard), flooring, doors and other joinery products.

The timber industry is expected to face several challenges which include the declining supply of raw materials, shortage of skilled manpower, rising fuel costs, slow adoption of advanced technologies, insufficient focus on R&D and the increase requirements for legal and sustainable sources of timber and timber products.

However, the rapid growth of the timber industry has brought about new challenges relating to its future competitiveness and sustainability. To enhance the continued dynamism of the industry, the current structure of the timber industry needs to be restructured to meet the target of RM53 billion in annual export earnings by 2020. To achieve this target, the present structure of the Malaysia timber industry need to be revised with more emphasis on higher value-added downstream activities, also taking into consideration adequate supply of logs to the domestic market and to encourage the use of alternative materials such as biomass, biocomposite, Kenaf, orchard and landscaping timber. Emphasis also has to be given to HRD, R&D, acquiring state-of-the-art technologies, design and development and branding.

(National Timber Industry Policy 2009 - 2020) [MTIB]

Chairman's Statement *cont'd*

4. OPERATIONAL OVERVIEW

In 2008, the Group's timber division remains the major contributor to the Group's performance and is expected to continue to do so in 2009.

5. PROSPECTS

The Group is expected to register profitability upon the completion of the PCDRS. The business plan is to focus on the core timber business and continuous effort on quality and service enhancements, improve efficiency in its processes and effectiveness in cost containment measures with the view to improve the overall structure and profit margin.

6. DIRECTORATE

On behalf of the Board of Directors, I would like to welcome Mr. Chua Eng Chin who has accepted our invitation to be member of our Board making available as Chairman of our Audit Committee.

7. APPRECIATION

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

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

In God we trust.

NG SWEE KIAT
Chairman/Managing Director

22 May 2009
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 four directors, one executive director and three independent non-executive directors. The Company is in compliance with Paragraph 15.02 of the Bursa Securities Listing Requirements whereby more than 1/3 of its Board members are independent directors. The profile of each Director is presented separately in the Annual Report.

2. Supply of Information

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

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

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

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

3. Board Meetings

There were five (5) Board of Directors' Meetings held during the financial year ended 31 December 2008. Details of the attendance of the Directors at the Board of Directors' Meetings are as follows:

Name of Director	Attendance
Mr. Ng Swee Kiat	5/5
Mr. Sukhinderjit Singh Muker	4/5
Mr. Zainuri Bin Zainal	4/5
Mr. Chua Eng Chin *(appointed on 23.04.2008)*	3/3

Corporate Governance Statement *cont'd*

A. DIRECTORS *cont'd*

4. Appointment to the Board

As recommended by the Code, the Nomination Committee was established on 5 December 2001, comprising exclusively of Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis. The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. The Nomination Committee is aware of their duties and responsibilities. As a whole, the Company maintains a very lean number of Board members. The Nomination Committee felt that due to the on going Debt Restructuring exercise, it will be best to implement the assessment and evaluation of effectiveness of the board as a whole, the committees of the board and contribution of each director after the completion of the corporate exercise.

5. Directors' Training

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

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

Save for En. Zainuri Bin Zainal, all the other Board members have attended several relevant courses/seminars during the financial year as detailed below:-

Name of Director	Training attended
Chua Eng Chin	- Economics and Capital Markets : Forces Shaping Global Capital Markets
	- Essential of Fundamental Analytics : Analyzing Company Performance
Ng Swee Kiat	- Understanding Financial Statements for Directors and Senior Management
Sukhinderjit Singh Muker	- Understanding Financial Statements for Directors and Senior Management

Zainuri Bin Zainal did not attend the continuous education programme during the financial year due to his tight working schedule.

6. Re-election

The procedure on re-election of directors by rotation is set out in the Articles No. 97 and 103 of the Company's Articles of Association ("the Articles"). Pursuant to the Articles, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. The Articles also provide at least one third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring directors can offer themselves for re-election. 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.

Corporate Governance Statement *cont'd*

B. DIRECTORS' REMUNERATION

1. Procedures

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

In order to save cost, all Directors waived the Directors fees for the financial year 2008.

2. Disclosure

The aggregate remuneration of Directors for the financial year ended 31 December 2008 is as follow:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Salary	84,488	-
Others	-	9,300
Directors' fee	-	-
Total	84,488	9,300

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
50,001 – 100,000	1	-
100,000 – 150,000	-	-

3. Remuneration Committee

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

Sukhinderjit Singh Muker	*Chairman/Independent Non-Executive Director*
Ng Swee Kiat	*Member/Managing Director*
Chua Eng Chin	*Member/Independent Non-Executive Director*

C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS

The Group values regular communication with its shareholders and investors.

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

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

Corporate Governance Statement *cont'd*

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

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

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

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2008, 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 2008, 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. The Board of Directors is confident that Nr. Mg Swee Kiat, who is the Managing Director, is competent to hold the position of the Chairman of the Company. Although the roles are combined, Mr. Ng discharges his duty as Managing Director and Chairman independently with judgmental discretion. There is a strong independent element on the Board representation as the Board consists of three Independent Non-Executive Directors who exercise their independent judgment.

Audit Committee's Report

1. COMPOSITION

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

Members
Mr. Sukhinderjit Singh Muker – *Independent Non-Executive Director*
En. Zainuri Bin Zainal – *Independent Non-Executive Director*

2. TERMS OF REFERENCE

Members

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

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

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

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

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

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

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

   (iii) fulfils such other requirements as prescribed or approved by the Exchange pursuant to Para.7 of the Practice Note 13/2002 as "Requisite Qualifications" as follows:

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

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

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

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

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

Audit Committee's Report *cont'd*

2. TERMS OF REFERENCE *cont'd*

Meetings

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

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

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

Authority

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

a) have authority to investigate any matter within its terms of reference;
b) have adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Group in performing its duties;
c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
d) be able to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary; and
e) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Duties and Responsibilities

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

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

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

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

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

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

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

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

   (i) changes in or implementation of major accounting policy changes;
   (ii) significant and unusual events; and
   (iii) compliance with accounting standards and other legal requirements;

Audit Committee's Report *cont'd*

2. TERMS OF REFERENCE *cont'd*

Duties and Responsibilities *cont'd*

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

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

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

3. ATTENDANCE OF MEETINGS

During the year ended 31 December 2008, the audit committee held five (5) meetings. Details of the attendance of committee members were as follow:-

Member	Attendance
Mr. Sukhinderjit Singh Muker	4/5
Mr. Zainuri Bin Zainal	4/5
Mr. Chua Eng Chin *(appointed on 23.04.2008)*	3/3
Mr. Ng Swee Kiat *(resigned on 23.04.2008)*	2/2

The audit committee did not meet up with external auditors without the presence of executive members during the financial year 2008 because it was deemed unnecessary. The external auditor shall meet the Audit Committee if there are contentious issues to be discussed. The Company Secretary attended most of the meetings held.

4. SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The activities of the Audit Committee during the financial year ended 31 December 2008 include the following:-

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

5. INTERNAL AUDIT FUNCTIONS

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

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

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

Audit Committee's Report *cont'd*

5. INTERNAL AUDIT FUNCTIONS *cont'd*

The costs incurred for the Internal Audit Function for the financial year 2008 is RM45,000 .

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

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

Statement of Internal Control

In accordance with Para 15.27(b) of the Listing Requirements of the Bursa Securities, it requires the Board to make a statement in the Company's Annual Report about the state of its internal controls. Also, the Malaysia Code of Corporate Governance requires all listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

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

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

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

- Duties, responsibilities and reporting lines are communicated to the staff through organization charts, appointment letters and internal memo.
- Management contacts and communication are maintained between the Executive Directors and Senior Management to resolve all relevant operational and financial issues that affect the Group.
- The Audit Committee reviews the quarterly financial results, annual reports, audited financial statements and internal control issues identified by the External Auditors, Internal Auditors and the management; and
- The Head of Internal Audit Department reports directly to the Audit Committee. The Internal Audit Department conducts regular and systematic reviews on system of internal control and effectiveness of processes that are in place to identify and mitigate business risks. Results of such reviews are reported to the Audit Committee.

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

CORPORATE EXERCISE ANNOUNCED PENDING FULL IMPLEMENTATION

The Corporate Exercise Proposal was duly approved by shareholders on 19 December 2007 and pending implementation:-

a) Proposed share capital reduction pursuant to Section 64(1)(b) of the Companies Act, 1965 (“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 (“Proposed Share Capital Reduction)
b) Proposed reduction of the share premium account of HCIB of RM873,000 pursuant to Sections 64(1) and 60(2) of the Act (“Proposed Share Premium Reduction”)
c) Proposed Increase in authorised share capital from RM25,000,000 comprising of 25,000,000 ordinary shares of RM1.00 each to RM100,000,000 comprising 400,000,000 ordinary shares of RM0.25 each
d) Proposed renounceable rights issue of up to 49,450,000 new ordinary shares of RM0.25 each (“rights shares”) with up to 49,450,000 free detachable warrants (“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 issue price of RM0.25 per Rights Share (“Proposed Right Issue with Warrants”)
e) 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 (“Proposed Land Acquisition”)
f) Proposed settlement of debts owing to the bank lenders and statutory creditors of HCIB Group amounting up to RM38,820,060 and RM1,431,548 respectively as at 31 December 2005 by a combination of issuance of new HCIB shares with Warrants, cash settlement and proceeds from the disposal of land (“Proposed Debt Settlement Scheme”)
g) Joint venture between Harvest Court Management Sdn. Bhd., a wholly owned subsidiary of HCIB and Messrs. Laing Huan And Rakan entered into on 17 January 2007 (“Joint Venture”)
h) Proposed exemption from the obligation to undertake a mandatory offer for the remaining HCIB Shares of RM0.25 each not already owned by Ng Swee Kiat and Parties Acting In Concert with him under Practice Note 2.9.1 of the Malaysian Code on Take-Overs and Mergers, 1998 (“Code”), (“Proposed Exemption”)

The disposal of a piece of freehold land held under Geran No. 89149, Lot No. 82543, Section 30, Bandar Klang, Daerah Klang, Negeri Selangor Darul Ehsan By Harvest Court Properties Sdn. Bhd. (“HCP”), a wholly owned subsidiary of HCIB to Cara Anggun Development Sdn. Bhd. was completed on 17 May 2008 and the proceeds received have been utilized to pay the redemption sum of M1.65M to Alliance Investment Bank Bhd.

The disposal of one unit of property known as No B11-1, Floor 11th, Block No. B, Type Shop, Phase The Corporate Park, Project Phileo Promenade measuring 2,257 square feet erected on the land held under Master Titles C.T. 12367 Lot No.24, C.T. 7491 Lot No.30, C.T. 12369 Lot No.29 and C.T. 12368 Lot No.28 all in Section 43, Town of Kuala Lumpur by Harvest Court (M) Sdn. Bhd. (“HCM”), a wholly owned subsidiary of HCIB to Planworth Communications (M) Sdn. Bhd. was completed on 4 December 2008 and the proceeds received have been utilized to pay the redemption sum of RM570,000 to United Overseas Bank (Malaysia) Bhd.

2. SHARE BUY-BACKS

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

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities being granted, issued or exercised during the financial year.

Other Disclosure Requirements

Pursuant to the Listing Requirements of Bursa Securities *cont'd*

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 2008.

7. VARIATION IN RESULTS

The Company had on 30 April 2009 announced that there was a deviation between the audited against aunaudited results for the financial year ended 31.12.2008. The explanation on the deviation and reconciliation thereof are as follows:

	(a) Announced Unaudited Results 31.12.2008 GROUP	(b) Audited Results 31.12.2008 GROUP	(c=b-a) Deviation
	RM	RM	RM
Profit after tax and minority interest	(492,785)	(3,921,925)	(3,429,140)

The deviation was mainly due to the following:

1. Underprovision of interest expenses on certain banking facilities.	(1,208,225)
The Debt Restructuring Agreement ("DRA") has been duly signed by the Company with its Banks' creditors on the 11 December 2008. In the DRA, clause 5 states that all interest effective from 1 January 2006 will be waived upon completion of the Corporate Restructuring exercise. However, after discussion with the external auditor, the management decided it is more prudent to provide for the interest until the Corporate exercise is completed.	
2. Different accounting treatment in relation to the disposal of land held for development. In compliance with FRS 5:	
(i) Reversal of profit recognised on reimbursement cost	(596,202)
(ii) Impairment loss on the land held for development	(1,624,713)
Total deviation	(3,429,140)
Percentage deviation compared to announced unaudited results - (c /a)	695.87%

The nature of impairment losses on the Land is in accordance with FRS 5 Para 15 (an entity shall measure a non-current asset {or disposal group} classified as held for sale at the lower of its carrying amount and fair value less costs to sell).

Other Disclosure Requirements

Pursuant to the Listing Requirements of Bursa Securities *cont'd*

8. PROFIT GUARANTEE

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

9. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

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

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

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

11. REVALUATION POLICY ON LANDED PROPERTIES

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

12. CORPORATE SOCIAL RESPONSIBILITY

The Company recognizes the importance of being a responsible corporate citizen. In addition to improving workplace environment and being committed to staff training, the Company will be planning and organizing CSR activities for the next financial year.

Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 12 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the financial year	3,921,925	715,646
Attributable to:		
Equity holders of the Company	3,921,925	715,646
Minority interests	-	-
	3,921,925	715,646

DIVIDENDS

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

RESERVES AND PROVISIONS

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

SHARES CAPITAL AND DEBENTURES

There were no shares or debentures issued during the financial year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

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

The salient features of the ESOS are as follows:-

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

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

Directors' Report *cont'd*

EMPLOYEE SHARE OPTION SCHEME ("ESOS") *cont'd*

(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 2008, the options offered to take up unissued ordinary shares of RM1 each and the option prices are as follows:-

		Number of option over ordinary shares of RM 1 each				
Year of offer	**Option price**	**At 1.1.2008**	**Granted**	**Exercised**	**Cancelled**	**At 31.12.2008**
Existing ESOS						
2005	RM1.00	691,300	-	-	-	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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

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

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

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

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

Directors' Report *cont'd*

INFORMATION ON THE FINANCIAL STATEMENTS *cont'd*

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

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

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

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

SIGNIFICANT EVENTS

The significant events during the financial year and subsequent to the balance sheet date are disclosed in the Note 31 to the financial statements.

OTHER STATUTORY INFORMATION

The Directors state that:-

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

In their opinion:-

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

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

DIRECTORS

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

Ng Swee Kiat
Sukhinderjit Singh Muker
Zainuri bin Zainal
Chua Eng Chin

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

Directors' Report *cont'd*

DIRECTORS *cont'd*

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

	Ordinary shares of RM1 each			
Interest in the Company	**At 1.1.2008**	**Bought**	**Sold**	**At 31.12.2008**
Direct Interest				
Ng Swee Kiat	379,000	-	-	379,000
Sukhinderjit Singh Muker	10,000	-	-	10,000
Deemed Interest				
Ng Swee Kiat*#	7,822,200	-	-	7,822,200

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

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

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

DIRECTORS' BENEFITS

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

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

Directors' Report *cont'd*

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 29 April 2009.

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

Kuala Lumpur

29 April 2009

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 31 to 68 are drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 29 April 2009.

....	....
NG SWEE KIAT	**ZAINURI BIN ZAINAL**

Kuala Lumpur

29 April 2009

Statutory Declaration

I, Ng Swee Kiat, being the Director primarily responsible for the financial management of Harvest Court Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 31 to 68 of the Company are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Kuala Lumpur in	)	
the Federal Territory this day of 29 April 2009	)	
	)	....
		NG SWEE KIAT

Before me:

Commissioner for Oaths

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Harvest Court Industries Berhad, which comprise the balance sheets of the Group and of the Company as at 31 December 2008, the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 68.

Directors' Responsibilities for the Financial Statements

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

Auditors' Responsibilities

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

Emphasis of Matter

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Independent Auditors' Report

to the Members of Harvest Court Industries Berhad *cont'd*

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

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

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

OTHER MATTERS

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

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

DATO' N. K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/10(J/PH))

Kuala Lumpur

29 April 2009

Balance Sheets
as at 31 December 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
EQUITY					
Equity attributable to equity holders of the Company					
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
Accumulated losses		(46,346,664)	(42,424,739)	(38,127,359)	(37,411,713)
TOTAL EQUITY		(22,803,764)	(18,881,839)	(14,584,459)	(13,868,813)
NON-CURRENT LIABILITIES					
Finance lease payables	8	84,941	110,737	-	-
Deferred tax liabilities	9	201,000	201,000	-	-
		(22,517,823)	(18,570,102)	(14,584,459)	(13,868,813)
NON-CURRENT ASSETS					
PROPERTY, PLANT AND EQUIPMENT	10	11,717,822	13,389,886	4,238	9,522
LAND HELD FOR PROPERTY DEVELOPMENT	11	-	9,500,000	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	12	-	-	13,744,998	15,987,678
Total non-current assets		11,717,822	22,889,886	13,749,236	15,997,200
CURRENT ASSETS					
Inventories	13	4,987,800	5,493,169	-	-
Trade receivables	14	2,360,520	3,520,687	-	-
Other receivables, deposits and prepayments		2,109,646	1,855,801	2,061,547	1,792,284
Amount due from subsidiary companies	15	-	-	9,850,080	10,567,983
Tax recoverable		1,267	1,267	-	-
Cash and bank balances		25,228	22,281	-	-
		9,484,461	10,893,205	11,911,627	12,360,267
Non-current asset classified as held for sale	16	9,952,354	1,520,000	-	-
Total current assets		19,436,815	12,413,205	11,911,627	12,360,267
CURRENT LIABILITIES					
Trade payables	17	1,148,317	1,729,770	-	-
Other payables and accruals	18	10,512,865	9,753,237	2,535,180	3,645,529
Amount due to subsidiary companies	15	-	-	22,405,063	22,617,734
Amount due to a Director	19	-	159,730	-	159,730
Short term borrowings	20	41,214,340	41,438,520	15,167,714	15,665,922
Finance lease payables	8	33,383	31,381	-	-
Tax payable		763,555	760,555	137,365	137,365
Total current liabilities		53,672,460	53,873,193	40,245,322	42,226,280
NET CURRENT LIABILITIES		(34,235,645)	(41,459,988)	(28,333,695)	(29,866,013)
		(22,517,823)	(18,570,102)	(14,584,459)	(13,868,813)

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

Income Statements
for the Financial Year Ended 31 December 2008

		Group		Company	
	Note	2008 RM	2007 RM	2008 RM	2007 RM
Revenue	21	7,075,579	9,129,906	-	33,000
Cost of sales		(7,384,487)	(9,129,074)	-	-
Gross (loss)/profit		(308,908)	832	-	33,000
Other income		3,637,438	899,885	3,221,239	1,073,060
Selling and distribution expenses		(248,505)	(550,179)	-	-
Administration expenses		(1,332,495)	(1,620,037)	(209,652)	(327,445)
Other expenses		(1,628,348)	(506,489)	-	-
Finance costs		(4,041,107)	(3,636,297)	(1,484,553)	(1,199,656)
Exceptional items	22	-	-	(2,242,680)	(12,798,313)
Loss before taxation	23	(3,921,925)	(5,412,285)	(715,646)	(13,219,354)
Taxation	24	-	107,018	-	-
Net loss for the financial year		(3,921,925)	(5,305,267)	(715,646)	(13,219,354)
Attributable to:					
Equity holders of the Company		(3,921,925)	(5,305,267)	(715,646)	(13,219,354)
Minority interests		-	-	-	-
		(3,921,925)	(5,305,267)	(715,646)	(13,219,354)
Loss per share attribute to equity holders of the Company (sen)					
- Basic	25	(17)	(23)		

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

Statements of Changes in Equity
for the Financial Year Ended 31 December 2008

Group	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
Balance at 1 January 2007	22,669,900	873,000	(37,119,472)	(13,576,572)
Net loss for the financial year	-	-	(5,305,267)	(5,305,267)
Balance at 31 December 2007	22,669,900	873,000	(42,424,739)	(18,881,839)
Net loss for the financial year	-	-	(3,921,925)	(3,921,925)
Balance at 31 December 2008	22,669,900	873,000	(46,346,664)	(22,803,764)
Company				
Balance at 1 January 2007	22,669,900	873,000	(24,192,359)	(649,459)
Net loss for the financial year	-	-	(13,219,354)	(13,219,354)
Balance at 31 December 2007	22,669,900	873,000	(37,411,713)	(13,868,813)
Net loss for the financial year	-	-	(715,646)	(715,646)
Balance at 31 December 2008	22,669,900	873,000	(38,127,359)	(14,584,459)

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

Cash Flow Statements
for the Financial Year Ended 31 December 2008

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(3,921,925)	(5,412,285)	(715,646)	(13,219,354)
Adjustments for:				
Bad debts written off	-	217,012	-	-
Depreciation	833,288	1,176,262	5,284	16,777
Gain on disposal of property, plant and equipment	(330,210)	(567,813)	-	-
Impairment loss on investment in subsidiary companies	-	-	2,242,680	12,798,313
Impairment loss on land held for property development	1,624,714	-	-	-
Interest expenses	4,027,103	3,620,905	1,484,386	1,198,910
Interest income	(11,373)	-	(1,328,386)	(1,073,060)
Inventories written down	-	138,054	-	-
Property, plant and equipment written off	1,946	-	-	-
Allowance for doubtful debts	-	72,386	-	-
Allowance for doubtful debts no longer required	-	(210,472)	-	-
Unrealised loss on foreign exchange	-	70,002	-	-
Waiver of debts	(2,727,925)	-	(1,892,583)	-
Operating loss before working capital changes	(504,382)	(895,949)	(204,265)	(278,414)
Changes in working capital:-				
Directors	-	48,200	-	48,200
Inventories	505,369	846,472	-	-
Payables	(1,687,845)	1,387,269	(717,937)	1,245,860
Receivables	906,322	(1,965,506)	(269,263)	(1,328,552)
Subsidiary companies	-	-	1,192,336	470,949
Cash (used in)/generated from operations	(780,536)	(579,514)	871	158,043
Interest paid	(1,339,255)	(1,246,917)	(843,104)	(944,514)
Interest received	11,373	-	-	-
Tax refund	3,000	9,000	-	-
Net cash used in operating activities	(2,105,418)	(1,817,431)	(842,233)	(786,471)

Cash Flow Statements

for the Financial Year Ended 31 December 2008 *cont'd*

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	2,380,148	885,923	-	-
Purchase of property, plant and equipment	(23,809)	(157,965)	-	-
Net cash generated from investing activities	2,356,339	727,958	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	(983,691)	-	-	-
Repayment of finance lease payables	(23,794)	(195,458)	-	-
Net cash used in financing activities	(1,007,485)	(195,458)	-	-
CASH AND CASH EQUIVALENTS				
Net changes	(756,564)	(1,284,931)	(842,233)	(786,471)
At beginning of financial year	(13,439,038)	(12,154,107)	(8,055,254)	(7,268,783)
At end of financial year (Note A)	(14,195,602)	(13,439,038)	(8,897,487)	(8,055,254)

NOTES TO CASH FLOW STATEMENTS

A. CASH AND CASH EQUIVALENTS COMPRISE OF:-

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Bank overdrafts	(14,220,830)	(13,461,319)	(8,897,487)	(8,055,254)
Cash and bank balances	25,228	22,281	-	-
	(14,195,602)	(13,439,038)	(8,897,487)	(8,055,254)

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

Notes to the Financial Statements
31 December 2008

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

2. GOING CONCERN

During the year ended 31 December 2008, the Group and the Company incurred a net loss of RM3,921,925 and RM715,646 respectively, and as at that date, the shareholders' deficit of the Group and the Company were RM22,803,764 and RM14,584,459 respectively and net current liabilities of the Group and of the Company were RM34,235,645 and RM28,333,695 respectively.

As mentioned in Note 20 to the financial statements, the Group and the Company has defaulted in the repayment of short term borrowings as at 31 December 2008 which are currently due and payable.

On 31 January 2007, the Company has submitted its Proposed Corporate and Debt Restructuring Scheme ("PCDRS") to regularise its financial condition to the Securities Commission ("SC") for approval. The PCDRS had been approved by the Ministry of International Trade and Industry ("MITI") on 26 March 2007, the SC on 27 April 2007 and 2 August 2007 and shareholders on 19 December 2007. The scheme has been agreed by all the banks on 11 December 2008.

Subsequent to the financial year end, SC, vide its letter dated 19 March 2009, approves the extension of time of the implementation of the PCDRS from 2 February 2009 to 1 August 2009.

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 outcome of 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 in the event that the PCDRS is not implemented successfully within the relevant time frame and the Group and the Company are unable to continue as a going concern.

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 2008 *cont'd*

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

(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 summary of significant accounting policies.

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

(i) The amendments to published standards and IC Interpretations to existing standards effective for the Group and the Company for the financial period beginning on or after 1 January 2008 are as follows:-

1)	Amendment to FRS 121	-	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
2)	IC Interpretation 1	-	Changes in Existing Decommissioning, Restoration and Similar Liabilities
3)	IC Interpretation 2	-	Members' Shares in Co-operative Entities and Similar Instruments
4)	IC Interpretation 5	-	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
5)	IC Interpretation 6	-	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

Notes to the Financial Statements
31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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

(i) The amendments to published standards and IC Interpretations to existing standards effective for the Group and the Company for the financial period beginning on or after 1 January 2008 are as follows:- cont'd

6)	IC Interpretation 7	-	Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies
7)	IC Interpretation 8	-	Scope of FRS 2
8)	FRS 107	-	Cash Flow Statements
9)	FRS 111	-	Construction Contracts
10)	FRS 112	-	Income Taxes
11)	FRS 118	-	Revenue
12)	FRS 120	-	Accounting for Government Grants and Disclosure of Government Assistance
13)	FRS 134	-	Interim Financial Reporting
14)	FRS 137	-	Provision, Contingent Liabilities and Contingent Assets

Initial application of the above FRS 107, 112, 118, 134 and 137 did not result in significant changes to the accounting policies of the Group and of the Company.

The above Amendments, Interpretations, FRS 111 and 120 are not applicable to the Group and the Company.

(ii) The following are the Standards and IC Interpretations that not yet effective and has not been early adopted by the Group and the Company:-

(i)	FRS 139	-	Financial Instruments: Recognition and Measurement

The Group and the Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

(ii)	FRS 4	-	Insurance Contract
(iii)	FRS 7	-	Financial Instrument: Disclosures
(iv)	FRS 8	-	Operating Segments
(v)	IC Interpretation 9	-	Reassessment of Embedded Derivatives
(vi)	IC Interpretation 10	-	Interim Financial Reporting and Impairment

The above standards and IC Interpretations shall be effective for accounting period beginning on or after 1 January 2010 except for FRS 8 Operating Segments, which shall apply to accounting period beginning on or after 1 July 2009.

The initial application of the above standards and IC Interpretations are not expected to have any material impact on the Financial Statements of the Group and of the Company.

Notes to the Financial Statements
31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Significant Accounting Estimates and Judgements

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

(i) Key Sources of Estimation Uncertainty

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

Income taxes

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

Impairment of property, plant and equipment

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

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

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

Deferred tax assets

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

Depreciation of property, plant and equipment

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

Notes to the Financial Statements
31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(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.

(f) Subsidiary Companies

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

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

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

(g) Minority Interests

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

(h) Property, Plant and Equipment and Depreciation

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

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

Notes to the Financial Statements

31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Property, Plant and Equipment and Depreciation *cont'd*

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

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

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

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

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

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.

(ii) Property Development Costs

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

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

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

Notes to the Financial Statements

31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Land Held for Property Development and Property Development Costs *cont'd*

(ii) Property development costs *cont'd*

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 allowance for obsolete and slow moving items. Cost is determined on the first-in-first-out basis.

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

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

(l) Provisions for Liabilities

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

(m) Receivables

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

Notes to the Financial Statements
31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(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.

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.

Notes to the Financial Statements

31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(p) Foreign Currencies *cont'd*

ii) Foreign Currency Transactions *cont'd*

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

iii) Foreign Operations

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

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

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

(q) Equity Instruments

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

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

(r) Interest-bearing Borrowings

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

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

(s) Income Tax

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

Notes to the Financial Statements

31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(s) Income Tax *cont'd*

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

(t) Property, Plant and Equipment Acquired Under Finance Lease and Hire Purchase Arrangements

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

(u) Financial Instruments

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

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

(v) Cash and Cash Equivalents

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

Notes to the Financial Statements
31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(w) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contributions Plans

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

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

(iii) Equity Compensation Benefits

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

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

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

(x) Segmental Results

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

(y) Intersegment Transfers

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

(z) Impairment of Assets

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

Notes to the Financial Statements
31 December 2008 *cont'd*

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(z) Impairment of Assets *cont'd*

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.

(aa) Non-current Assets Held for Sale and Discontinued Operation

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

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

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

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

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 12 to the financial statements.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the 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 29 April 2009.

Notes to the Financial Statements
31 December 2008 *cont'd*

6. SHARE CAPITAL

	Group and Company	
	2008	**2007**
	RM	**RM**
Authorised:		
Ordinary shares of RM1 each	25,000,000	25,000,000
Issued and fully paid:		
Ordinary shares of RM1 each		
At beginning/end of financial year	22,669,900	22,669,900

7. SHARE PREMIUM

	Group and Company	
	2008	**2007**
	RM	**RM**
Non distributable:-		
At beginning/end of financial year	873,000	873,000

8. FINANCE LEASE PAYABLES

	Group	
	2008	**2007**
	RM	**RM**
Payable within 1 financial year	38,040	39,147
Payable after 1 financial year but not later than 5 financial years	97,717	114,568
Payable after 5 financial years	-	13,560
	135,757	167,275
Less: Interest in suspense	(17,433)	(25,157)
	118,324	142,118
Present value of finance lease payables		
- within 1 financial year	33,383	31,381
- after 1 financial year but not later than 5 financial years	84,941	100,699
- after 5 financial years	-	10,038
	118,324	142,118

Notes to the Financial Statements
31 December 2008 *cont'd*

9. DEFERRED TAX LIABILITIES

	Group 2008 RM	Group 2007 RM
At beginning of financial year	201,000	306,000
Recognised in income statements (Note 24)	-	(105,000)
At end of financial year	201,000	201,000

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

	Group 2008 RM	Group 2007 RM
Excess of property, plant and equipment's carrying amount over its tax base	298,000	276,000
Unabsorbed capital allowances	(97,000)	(75,000)
	201,000	201,000

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

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Tax effects of:				
- excess of property, plant and equipment's carrying amount over its tax bases	1,003,300	1,132,800	1,100	2,300
- unutilised tax losses	(5,556,156)	(4,967,000)	(110,600)	(110,600)
- unabsorbed capital allowances	(808,000)	(773,500)	(16,800)	(16,800)
- others	(37,200)	(37,200)	-	-
	(5,398,056)	(4,644,900)	(126,300)	(125,100)

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 2008 *cont'd*

10. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Plant and machinery	Motor vehicles	Office furniture, fittings and equipment	Building in progress	Total 2008	Total 2007
	RM	RM	RM	RM	RM	RM	RM
Cost							
At beginning of financial year	11,472,161	12,880,320	455,380	823,038	322,557	25,953,456	27,924,958
Additions	8,024	13,700	-	2,085	-	23,809	157,965
Disposals	(653,468)	(240,713)	-	-	-	(894,181)	(2,129,467)
Written off	-	(9,519)	-	-	-	(9,519)	-
Assets reclassified as held for sale	-	-	-	(27,142)	(322,557)	(349,699)	-
At end of financial year	10,826,717	12,643,788	455,380	797,981	-	24,723,866	25,953,456
Accumulated depreciation							
At beginning of financial year	2,219,133	9,245,357	324,989	774,091	-	12,563,570	13,198,665
Charge for the financial year	231,520	507,519	68,393	25,856	-	833,288	1,176,262
Disposals	(163,601)	(200,642)	-	-	-	(364,243)	(1,811,357)
Written off	-	(7,573)	-	-	-	(7,573)	-
Assets reclassified as held for sale	-	-	-	(18,998)	-	(18,998)	-
At end of financial year	2,287,052	9,544,661	393,382	780,949	-	13,006,044	12,563,570
Net book value							
2008	8,539,665	3,099,127	61,998	17,032	-	11,717,822	-
2007	9,253,028	3,634,963	130,391	48,947	322,557	-	13,389,886
Depreciation charged for the financial year ended 31 December 2007	231,491	754,086	122,013	68,672	-	-	1,176,262

Notes to the Financial Statements

31 December 2008 *cont'd*

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

Company	**Office furniture, fittings and equipment**	**Motor vehicles**	**Total 2008**	**Total 2007**
Cost	**RM**	**RM**	**RM**	**RM**
At beginning/end of financial year	330,026	3,773	333,799	333,799
Accumulated depreciation				
At beginning of financial year	320,504	3,773	324,277	307,500
Charge for the financial year	5,284	-	5,284	16,777
At end of financial year	325,788	3,773	329,561	324,277
Net book value				
2008	4,238	-	4,238	-
2007	9,522	-	-	9,522
Depreciation charged for the financial year ended 31 December 2007	16,777	-	-	16,777

Group

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

	Group 2008	**Group 2007**
	RM	**RM**
Motor vehicles	58,713	127,105

(b) The buildings with net book value amounted to RMNil (2007: RM501,847) are pledged to licensed banks for banking facilities granted to the Group.

Notes to the Financial Statements
31 December 2008 *cont'd*

11. LAND HELD FOR PROPERTY DEVELOPMENT

Land Held for Property Development

	Group 2008 RM	Group 2007 RM
At beginning of financial year:-		
Leasehold land	5,380,110	5,380,110
Freehold land	-	2,223,187
Development expenditure	15,083,833	15,998,219
	20,463,943	23,601,516
Development expenditure incurred	-	-
Reclassified as held for sale	(20,463,943)	(4,883,940)
At end of financial year	-	18,717,576
Accumulated impairment loss:-		
At beginning of financial year	9,217,576	12,581,516
Impairment loss for the financial year	1,624,714	-
Reclassified as held for sale	(10,842,290)	(3,363,940)
At end of financial year	-	9,217,576
	-	9,500,000

12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2008 RM	Company 2007 RM
Unquoted shares, in Malaysia		
At cost	46,780,002	46,780,002
Less: Impairment loss	(34,988,741)	(33,739,146)
	11,791,261	13,040,856
At valuation in financial year 1993	15,085,989	15,085,989
Less: Impairment loss	(13,132,252)	(12,139,167)
	1,953,737	2,946,822
	13,744,998	15,987,678

Notes to the Financial Statements

31 December 2008 *cont'd*

12. INVESTMENT IN SUBSIDIARY COMPANIES *cont'd*

A detailed list of subsidiary companies is as follows:-

Name of company	% Effective interest 2008	% Effective interest 2007	Principal activities	Country of incorporation
Harvest Court (M) Sdn. Bhd.	100	100	Sawmilling and marketing of sawn timber (Ceased operations)	Malaysia
Harvest Court Marketing Sdn. Bhd.	100	100	Marketing of timber doors and other related products (Ceased operations)	Malaysia
Harvest Lumber Sdn. Bhd.	100	100	Manufacturing and marketing of timber doors and other related products	Malaysia
Harvest Court Corporation Sdn. Bhd.	100	100	Manufacturing and marketing of timber doors and other related products (Ceased operations)	Malaysia
Harvest Exporter Sdn. Bhd.	100	100	Sawn timber export and related products (Ceased operations)	Malaysia
Quantum Pro Sdn. Bhd.	100	100	Timber kiln drying	Malaysia
Harvest Court Properties Sdn. Bhd.	100	100	Property development (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

13. INVENTORIES

	Group 2008 RM	Group 2007 RM
Raw materials	26,595	415,180
Work-in-progress	3,166,978	3,414,670
Finished goods	1,794,227	1,663,319
	4,987,800	5,493,169

The inventories were written down to its net realisable value. The write down amounted to RMNil (2007: RM138,054) is included in the cost of sales.

Notes to the Financial Statements

31 December 2008 *cont'd*

14. TRADE RECEIVABLES

	Group 2008 RM	Group 2007 RM
Trade receivables	2,772,111	3,932,278
Less: Allowance for doubtful debts	(411,591)	(411,591)
	2,360,520	3,520,687

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

	Group 2008 RM	Group 2007 RM
Ringgit Malaysia	1,844,796	2,044,288
US Dollar	515,724	1,476,399
	2,360,520	3,520,687

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

15. 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.

16. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

The non-current assets classified as held for sale of the Group's balance sheet as at 31 December 2008 are as follows:-

Group	Cost as at 31.12.2008 RM	Accumulated depreciation as at 31.12.2008 RM	Accumulated impairment as at 31.12.2008 RM	Carrying amount as at 31.12.2008 RM	Carrying amount as at 31.12.2007 RM
Land held for development	20,463,943	-	(10,842,290)	9,621,653	1,520,000
Property, plant and equipment	349,699	(18,998)	-	330,701	-
	20,813,642	(18,998)	(10,842,290)	9,952,354	1,520,000

Notes to the Financial Statements

31 December 2008 *cont'd*

17. TRADE PAYABLES

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

18. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Other payables	3,107,133	2,135,426	576,387	666,083
Accruals	7,405,732	7,106,649	1,958,793	2,468,284
Amount due to related parties	-	511,162	-	511,162
	10,512,865	9,753,237	2,535,180	3,645,529

Related parties refer to companies in which a Director, Ng Swee Kiat has substantial financial interest which are unsecured, interest free and has not fixed term of repayment.

19. 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.

20. SHORT TERM BORROWINGS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Secured:				
Al-Bai Bithaman Ajil	335,493	335,493	-	-
Bank overdrafts	12,466,842	11,863,331	7,143,499	6,457,266
Bankers' acceptances	12,130,192	12,130,240	-	-
Export credit refinancing	3,982,896	3,693,613	3,982,896	3,693,613
Revolving credits	3,760,156	5,389,880	1,560,156	3,189,880
Term loan	6,057,598	5,700,800	-	-
	38,733,177	39,113,357	12,686,551	13,340,759
Unsecured:				
Bank overdrafts	1,753,988	1,597,988	1,753,988	1,597,988
Bankers' acceptances	727,175	727,175	727,175	727,175
	2,481,163	2,325,163	2,481,163	2,325,163
	41,214,340	41,438,520	15,167,714	15,665,922

Notes to the Financial Statements
31 December 2008 *cont'd*

20. SHORT TERM BORROWINGS *cont'd*

Group

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

(i)	Term loan	-	First party first legal charge over a subsidiary company's landed properties, assignment of sales proceeds in respect of a proposed project by a subsidiary company, corporate guarantee by the Company and a letter of understanding from another subsidiary company to meet any debts obligation in the event of default by the said subsidiary company.
(ii)	Al-Bai Bithaman Ajil	-	Corporate guarantee by the Company and a debenture by way of first fixed charge on the machinery and equipment financed by the bank.

(b) The short term borrowings carry interest at rates ranging from 7.10% to 11.25% (2007: 5.75% to 11.25%) per annum.

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

Company

(a) Short term borrowings are secured by:-

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

(b) The short term borrowings are obtained at interest rates ranging from 7.10% to 9.75% (2007: 5.75% to 9.50%) 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.

21. REVENUE

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Management fees from subsidiary companies	-	-	-	33,000
Sales of goods	7,075,579	9,129,906	-	-
	7,075,579	9,129,906	-	33,000

Notes to the Financial Statements
31 December 2008 *cont'd*

22. EXCEPTIONAL ITEMS

Company

Exceptional items in the current and previous financial year refer to impairment loss on investment in subsidiary companies.

23. LOSS BEFORE TAXATION

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Allowance for doubtful debts no longer required	-	(210,472)	-	-
Allowance for doubtful debts -specific	-	72,386	-	-
Audit fee	64,100	62,100	22,000	20,000
Bad debts written off	-	217,012	-	-
Depreciation	833,288	1,176,262	5,284	16,777
Directors' other emoluments (Note A)	93,788	57,976	9,300	14,200
Impairment loss on land held for development	1,624,714	-	-	-
Inventories written down	-	138,054	-	-
Interest expenses:				
- bank overdrafts	1,331,531	1,233,042	843,104	784,664
- bankers' acceptances	1,533,639	1,449,515	126,000	125,850
- export credit refinancing	289,282	288,396	289,282	288,396
- finance lease payables	7,724	13,875	-	-
- revolving credits	506,232	269,029	226,000	-
- term loan	356,799	354,006	-	-
- others	1,896	13,042	-	-
Property, plant and equipment written off	1,946	-	-	-
Interest income:				
- fixed deposits	(11,373)	-	-	-
- reimbursement from subsidiary companies	-	-	(1,328,386)	(1,073,060)
Gain on disposal of property, plant and equipment	(330,210)	(567,813)	-	-
Rental income	(150,848)	(78,408)	-	-
Unrealised loss on foreign exchange	-	70,002	-	-
Waiver of debts	(2,727,925)	-	(1,892,853)	-

Notes to the Financial Statements

31 December 2008 *cont'd*

23. LOSS BEFORE TAXATION *cont'd*

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Directors of the Company				
Executive Directors				
- Salary	84,488	43,776	-	-
Non-executive Directors				
- Others	9,300	14,200	9,300	14,200
	93,788	57,976	9,300	14,200

24. TAXATION

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Transfer from deferred tax (Note 9)	-	(105,000)	-	-
Overprovision in prior years	-	(2,018)	-	-
	-	(107,018)	-	-

Notes to the Financial Statements
31 December 2008 *cont'd*

24. TAXATION *cont'd*

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	
	2008	2007	2008	2007
	RM	RM	RM	RM
Loss before taxation	(3,921,925)	(5,412,285)	(715,646)	(13,219,354)
Income tax at rate of 26% (2007: 27%)	(1,019,701)	(1,461,317)	(186,069)	(3,569,226)
Tax effect in respect of :				
Non-allowable expenses	266,545	800,476	184,869	3,452,523
Income not subject to tax	-	(9,762)	-	-
Deferred tax assets not recognised in the financial statements	753,156	573,800	1,200	124,900
Tax savings from utilisation of group relief	-	(8,197)	-	(8,197)
Current financial year tax expense	-	(105,000)	-	-
Overprovision in prior years	-	(2,018)	-	-
	-	(107,018)	-	-

As at 31 December 2008, the Group and the Company have unabsorbed tax losses of RM22,225,000 (2007: RM19,868,000) and RM442,726 (2007: RM442,726) respectively, unutilised capital allowance of RM3,232,000 (2007: RM3,094,000) and RM67,308 (2007: RM67,308) respectively and unabsorbed reinvestment allowances for the Group is RM149,000 (2007: RM149,000) which are subject to approval by the tax authorities.

25. LOSS PER SHARE

(a) Basic Loss per Share

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

	2008	2007
Net loss attributable to equity holders of the Company (RM)	(3,921,925)	(5,305,267)
Weighted average number of ordinary shares in issue	22,669,900	22,669,900
Basic loss per share (Sen)	(17.3)	(23.4)

(b) Diluted Loss per Share

The fully diluted loss per share is not calculated as the average market price as at 31 December 2008 is higher than the option price, therefore there will be no dilutive effect.

Notes to the Financial Statements
31 December 2008 *cont'd*

26. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Salary, bonus and wages	880,571	894,936	63,000	30,000
Contribution to defined contribution plan	62,129	67,629	-	-
Other benefits	65,014	77,425	9,300	16,500
	1,007,714	1,039,990	72,300	46,560

27. CONTINGENT LIABILITIES AND OBLIGATION

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

(a) Guarantees (unsecured)

	Company	
	2008	2007
	RM	RM
Corporate guarantees given to licensed for banking facilities granted to subsidiary companies	22,704,313	25,772,598

(b) Litigation

Company

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

(ii) Legal suit filed by Public Merchant Bank Berhad against the Company for the alleged sum of RM85,700 in respect of the for services rendered in relation to the corporate exercise undertaken by 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.

Notes to the Financial Statements
31 December 2008 *cont'd*

28. RELATED PARTY DISCLOSURES

	2008 RM	2007 RM
Company		
Transactions with subsidiary companies		
Management fees from subsidiary companies	-	33,000
Interest reimbursed from subsidiary companies	1,328,386	1,073,060

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

The remuneration of key management personnel is same with the directors' remuneration as disclosed in Note 23 to the financial statements. The Group and the Company have no other members of key management personnel apart from the Board of Directors.

Notes to the Financial Statements

31 December 2008 *cont'd*

29. SEGMENT REPORTING – GROUP

Primary Segmental Reporting - Business Segments

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

Notes to the Financial Statements

31 December 2008 *cont'd*

29. SEGMENT REPORTING – GROUP *cont'd*

Primary Segmental Reporting - Business Segments *cont'd*

2007	Timber product manufacturing RM	Construction RM	Property development RM	Investment holding and others RM	Eliminations RM	Consolidated RM
Revenue						
External revenue	9,129,906	-	-	-	-	9,129,906
Inter-segment revenue	476,703	-	-	33,000	(509,703)	-
Total segment revenue	9,606,609	-	-	33,000	(509,703)	9,129,906
Results						
Segment results	(1,379,201)	(103,332)	16,769	(310,224)	-	(1,775,988)
Interest income	-	-	-	1,073,060	(1,073,060)	-
Finance costs	(2,380,775)	(2,396)	(1,126,445)	(1,199,741)	1,073,060	(3,636,297)
Loss before taxation						(5,412,285)
Taxation						107,018
Net loss for the financial year						(5,305,267)
Assets						
Segment assets	21,750,803	28,273	11,719,383	1,803,365	-	35,301,824
Tax recoverable	949	-	-	318	-	1,267
Consolidated total assets						35,303,091
Liabilities						
Segment liabilities	25,805,187	703,782	7,293,973	19,420,433	-	53,223,375
Deferred tax liabilities	201,000	-	-	-	-	201,000
Tax payable	601,873	-	8,651	150,031	-	760,555
Consolidated total liabilities						54,184,930
Other information						
Capital expenditure on property, plant and equipment	157,965	-	-	-	-	157,965
Depreciation	1,143,040	12,434	3,435	17,353	-	1,176,262

Notes to the Financial Statements
31 December 2008 *cont'd*

29. SEGMENT REPORTING – GROUP *cont'd*

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

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

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

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

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

Notes to the Financial Statements
31 December 2008 *cont'd*

30. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

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

Group	Less than 1 financial year	1 to 5 financial years	More than 5 financial years	Total	Effective interest rate during the financial year
	RM	RM	RM	RM	%
2008					
Financial liabilities					
Bank overdrafts	14,220,830	-	-	14,220,830	8.00 - 11.25
Bankers' acceptances	12,857,367	-	-	12,857,367	8.25 - 11.25
Export credit refinancing	3,982,896	-	-	3,982,896	9.50
Revolving credits	3,760,156	-	-	3,760,156	7.10 - 11.25
Al-Bai Bithaman Ajil	335,493	-	-	335,493	8.00
Term loan	6,057,598	-	-	6,057,598	8.60
Finance lease payables	33,383	84,941	-	118,234	3.30 - 5.70
2007					
Financial liabilities					
Bank overdrafts	13,461,319	-	-	13,461,319	5.75 - 11.25
Bankers' acceptances	12,857,415	-	-	12,857,415	8.50 - 11.25
Export credit refinancing	3,693,613	-	-	3,693,613	9.50
Revolving credits	5,389,880	-	-	5,389,880	7.35 - 11.25
Al-Bai Bithaman Ajil	335,493	-	-	335,493	8.00
Term loan	5,700,800	-	-	5,700,800	8.60
Finance lease payables	31,381	100,699	10,038	142,118	3.30 - 5.70

Notes to the Financial Statements
31 December 2008 *cont'd*

30. FINANCIAL INSTRUMENTS *cont'd*

(a) Interest Rate Risk *cont'd*

Company	Less than 1 financial year	Effective interest rate during the financial year
	RM	%
2008		
Financial liabilities		
Bank overdrafts	8,897,487	8.50 - 9.75
Bankers' acceptances	727,175	8.25 - 8.50
Export credit refinancing	3,982,896	9.50
Revolving credits	1,560,156	7.10 - 7.35
2007		
Financial liabilities		
Bank overdrafts	8,055,254	5.75-9.75
Bankers' acceptances	727,175	8.50
Export credit refinancing	3,693,613	9.50
Revolving credits	3,189,880	7.35

(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.

31. SIGNIFICANT EVENTS

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

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

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

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

Notes to the Financial Statements
31 December 2008 *cont'd*

31. SIGNIFICANT EVENTS *cont'd*

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

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

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

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

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

(vii) Conditional Joint Venture; and

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

(The abovementioned are collectively known as "Proposals")

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

31 December 2008 *cont'd*

31. SIGNIFICANT EVENTS *cont'd*

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

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

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

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

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

On 19 March 2009, the SC has extended the time to implement the proposal to 1 August 2009.

(b) On 8 June 2007, Harvest Court Properties Sdn. Bhd., a wholly owned subsidiary company of the Company entered into a conditional Sales and Purchase Agreement with Cara Anggun Development Sdn. Bhd. ("CAD") to dispose all that land held under Geran No. 89149, Lot No. 82543, Section 30, Bandar Klang, Daerah Klang, Negeri Selangor Darul Ehsan measuring approximately 4631 square meters for a total cash consideration of RM1.7 million.

On 12 March 2008, CAD had settled 55% of the said consideration. Subsequently the transaction has been completed on 17 May 2008.

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

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

The transaction has yet to be completed as at 31 December 2008.

Group's Landed Properties

Location	Description	Tenure	Area sq. m.	Approximate age (Years)	Net book value	Date of acquisition	Existing use
Unit B-11-1 Megan Phileo Promenade Section 43 Town of Kuala Lumpur	- Office lot	Freehold	210	10	514,918	1997	Sold 2008 (RM570K).
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	17} } } } } } } } } } 10}	2,341,988	1990	Factory and Office
Mukim of Kuala Linggi District of Alor Gajah State of Malacca	- Land held for development	Leasehold 99 years (pending issuance of titles)	141,640	12	9,500,000	1995	Sold 2008 (RM7.5M)
Geran 55040, Lot 82107, Seksyen 30 Bandar Klang, Klang, Selangor	- Land held for development	Freehold	5,332	11	1,520,000	1996	Sold 2008 (RM1.65M)
Lot 10568, Jalan Papan Pandamaran Industrial Area 42000 Port Klang	- KD Plant and warehouse	* Rented	4,181	8	3,925,534	1999	KD Chambers

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

Analysis of Shareholdings
as at 12 May 2009

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	:	1,987

DISTRIBUTION OF SHAREHOLDINGS AS AT 12 MAY 2009

Size of shareholdings	No. of shareholders	No. of ordinary shares	%
Less than 100	1	50	0.00
100 to 1,000	991	971,800	4.29
1,001 to 10,000	828	3,000,950	13.24
10,001 to 100,000	140	4,205,300	18.55
100,001 to less than 5% of issued shares	25	7,980,600	35.20
5% and above of issued shares	2	6,511,200	28.72
TOTAL	**1,987**	**22,669,900**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 12 MAY 2009

(a) In the Company

No.	Names	Direct no. of shares	%	Indirect 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.	ZAINURI BIN ZAINAL	-	-	-	-
4.	CHUA ENG CHIN	-	-	-	-

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

Analysis of Shareholdings
as at 12 May 2009 *cont'd*

LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE) AS AT 12 MAY 2009

No.	Names	Direct no. of shares	%	Indirect 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 Heng; 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.*

List of Top 30 Shareholders/Depositors
as at 12 May 2009

	Name	No. of shares held	Percentage
1.	HARVEST COURT HOLDINGS (M) SDN. BHD.	5,011,200	22.11
2.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD.	1,500,000	6.62
3.	SJ SEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN SAW SIM*	833,000	3.67
4.	CHAN SAU POH	830,900	3.67
5.	NG CHOOI LAN	774,600	3.42
6.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *AMBANK (M) BERHAD FOR WONG WEI SHAN*	745,100	3.29
7.	NG SWEE KEONG	612,000	2.70
8.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR HO CHWEE LAN* *AMSEC NOMINEES (TEMPATAN) SDN. BHD.*	500,000	2.21
9.	AMBANK (M) BERHAD FOR NG SWEE KIAT	379,000	1.67
10.	LAI KIM LAN	283,900	1.25
11.	TAN CHING CHING	263,900	1.16
12.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG HUEY PENG*	219,200	0.97
13.	NG CHUAN SENG @ NG TECK HUAT	218,400	0.96
14.	HLG NOMINEE (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YANG SIN TZONG*	215,000	0.95
15.	NG AI CHENG	214,100	0.94
16.	TAN HAN CHUAN	209,000	0.92
17.	LOH SAI ENG	199,300	0.88
18.	AHMAD KAMARUZAMAN BIN MOHAMED BARIA	186,800	0.82
19.	NG WOOI YING	181,800	0.80
20.	CHIN CHEW KOON	163,000	0.72
21.	CHEANG KEW PENG	154,000	0.68
22.	HARVEST COURT HOLDINGS (M) SDN. BHD.	153,000	0.67
23.	LIM TEIK OON	144,000	0.64
24.	AFFIN NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHUNG KIN CHUAN*	136,000	0.60
25.	HLB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LAI VOON HUEY*	125,000	0.55
26.	THEAN YIN KONG	120,900	0.53
27.	THEAN WOOI KHIONG	118,700	0.52
28.	HELEN TENG LUNG WONG	100,000	0.44
29.	YANG PEING NAN	100,000	0.44
30.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KUAN SHIN NYIAP*	98,000	0.43
	TOTAL	**14,789,800**	**65.23**

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

FORM OF PROXY

No. of ordinary shares held

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

I/We ____ NRIC No./Passport No./Company No. __________________
(Full name in block letters)
CDS No.: __________________

of ____
(Full address)

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

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

of ____
(Full address)

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Thirty First Annual General Meeting of the Company to be held at the Crystal Room, Level 1, Crystal Crown Hotel Harbour View, 217, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Friday, 26 June 2009 at 10.00 a.m and at any adjournment thereof in the manner as indicated below:-

RESOLUTION	**FOR**	**AGAINST**
Resolution 1		
Resolution 2		
Resolution 3		

(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 ________________ 2009

____
Signature of shareholder(s)/Common Seal

**** Strike out whichever is not desired.***

Notes :-

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

FOLD THIS FLAP FOR SEALING

THEN FOLD HERE

AFFIX STAMP

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

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