



HARVEST COURT INDUSTRIES BERHAD

(Company No. 36998-T)



Website: www.harvestcourt.com

A N N U A L **2 0 0 3** R E P O R T

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CORPORATE INFORMATION

DIRECTORS

Chairman/Managing Director
Ng Swee Kiat

Executive Directors

Ng Swee Keong
Ng Ai Cheng
Ng Chuan Seng @ Ng Teck Huat

Independent Non-Executive Directors

Yet Kiong Siang
Sukhinderjit Singh Muker

AUDIT COMMITTEE

Chairman

Yet Kiong Siang

Members

Ng Swee Kiat
Sukhinderjit Singh Muker

REMUNERATION COMMITTEE

Chairman

Sukhinderjit Singh Muker

Members

Ng Swee Kiat
Yet Kiong Siang

NOMINATION COMMITTEE

Chairman

Yet Kiong Siang

Members

Sukhinderjit Singh Muker

COMPANY SECRETARIES

Aaron Kwan Kien Fai (MIA 13376)
Lim Seck Wah (f) (MAICSA 0799845)

REGISTERED OFFICE

Lot 450, Jalan Papan
Pandamaran Industrial Area
42000 Port Klang
Selangor Darul Ehsan
Tel No.: (603) 3165 2218
Fax No.: (603) 3168 1664 / 1336

SHARE REGISTRAR

MEGA CORPORATE SERVICES SDN BHD
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel No.: (603) 2692 4271
Fax No.: (603) 2732 5388

PRINCIPAL BANKERS

Affin Bank Berhad
United Overseas Bank (Malaysia) Berhad
Public Bank Berhad

SOLICITORS

Munir & Co
Lovelace & Hastings

AUDITORS

Shamsir Jasani Grant Thornton
Chartered Accountants

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia
Bursa Malaysia refers to
Bursa Malaysia Securities Berhad
(Formerly known as Malaysia Securities Exchange Berhad)
STOCK CODE: 9342

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Sixth Annual General Meeting of the Company will be held at the Meeting Room, Crystal 2 (1st Floor), Crystal Crown Hotel Harbour View, 217, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Monday, 28 June 2004 at 9.30 a.m. to transact the following businesses:

- | | |
|--|--|
| 1. To receive and adopt the audited financial statements for the year ended 31 st December 2003 together with the Directors' and Auditors' Reports thereon. | Resolution 1 |
| 2. To approve the payment of Directors' Fees of RM24,000 for the year ended 31 December 2003. | Resolution 2 |
| 3. To re-elect the following director retiring pursuant to Section 129(6) of the Companies Act, 1965

- Mr. Ng Chuan Seng @ Ng Teck Huat | Resolution 3 |
| 4. To re-elect the following Directors retiring pursuant to Article 97 of the Company's Articles of Association:

(i) Madam Ng Ai Cheng
(ii) Mr. Sukhinderjit Singh Muker | Resolution 4
Resolution 5 |
| 5. To re-appoint Messrs Shamsir Jasani Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 6 |

SPECIAL BUSINESSES:

To consider and, if thought fit, to pass the following Ordinary Resolutions:

- | | |
|---|---------------------|
| 6. AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT subject to the Companies Act, 1965, and the approval of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares of the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution shall not exceed 10% of the issued capital of the Company for the time being excluding the number of ordinary shares arising from the exercise of Employees' Share Option Scheme (ESOS), and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company; and FURTHER THAT the Directors be and are hereby empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Malaysia" | Resolution 7 |
| 7. To transact any other business of the Company for which due notice shall have been given. | |

By order of the Board,

AARON KWAN KIEN FAI (MIA 13376)
LIM SECK WAH (MAICSA 0799845)
COMPANY SECRETARIES

Port Klang, Selangor Darul Ehsan
4th June 2004

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy or attorney may but does not need to be a member and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia.
2. Where a member is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorized.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Lot 450, Jalan Papan, Pandamaran Industrial Area, 42000 Port Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
5. Explanatory Notes To Special Businesses

Resolution Pursuant to Section 132D of the Companies Act, 1965

The Ordinary Resolution no.7, 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

(Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Listing Requirements)

1. Directors who are standing for re-election at the Twenty Sixth Annual General Meeting of Harvest Court Industries Berhad.

Mr. Ng Chuan Seng @ Ng Teck Huat	(Resolution 2)
Madam Ng Ai Cheng	(Resolution 3)
Mr. Sukhinderjit Singh Muker	(Resolution 4)

2. Details of Attendance of Directors at Board Meetings

There were nine (9) Board meetings held during the financial year ended 31 December 2003.

Details of Directors' attendance at Board meetings are as follows:

<u>Name of Director</u>	<u>Attendance</u>
(a) Mr. Ng Swee Kiat	9/9
(b) Mr. Ng Swee Keong	8/9
(c) Madam Ng Ai Cheng	8/9
(d) Mr. Ng Chuan Seng @ Ng Teck Huat	9/9
(e) Mr. Sukhinderjit Singh Muker	9/9
(f) Mr. Yet Kiong Siang	9/9
(g) Mr. Teo Tian Tiak (Resigned on 23.06.2003)	3/3

3. Date, Time and Place of the Twenty Sixth Annual General Meeting

The Twenty Sixth Annual General Meeting of the Company will be held at the Meeting Room, Crystal 2 (1st Floor), Crystal Crown Hotel Harbour View, 217, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Monday, 28 June 2004 at 9.30 a.m..

4. Further Details of Directors Who Are Standing for Re-election

Details of Directors who are standing for re-election are set out in pages 6 to 7 of the Annual Report.

DIRECTORS' PROFILES

1. NG SWEE KIAT – CHAIRMAN/MANAGING DIRECTOR

Mr. Ng, a Malaysian, aged 49, 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 since his graduation for more than 25 years. Mr. Ng plans and charts the expansion programme of the Group, transforming it from a mere sawn timber exporter to a diversified and fully integrated timber product manufacturer.

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

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

Mr. Ng attended all nine Board meetings of HCIB held during the financial year ended 31 December 2003.

Mr. Ng holds 329,000 shares in HCIB and he also has an indirect interest of 7,844,200 shares in HCIB by virtue of his interest in Harvest Court Holdings (M) Sdn. Bhd., a substantial shareholder of HCIB and his wife's shareholding of 100,000 shares in HCIB. He is a son to Mr. Ng Chuan Seng @ Ng Teck Huat and a sibling to Mr. Ng Swee Keong and Madam Ng Ai Cheng. He has no conflict of interest with HCIB and has no convictions for offences within the past ten years except for traffic offences.

2. NG SWEE KEONG – EXECUTIVE DIRECTOR

Mr. Ng, a Malaysian, aged 46, obtained a degree in Bachelor of Science (Electrical and Electronics Engineering) from the University of Birmingham, United Kingdom in 1982. Mr. Ng has been in the timber trade for more than 20 years. Besides overseeing the Group's manufacturing activities, he is the prime mover behind the aggressive marketing strategies pursued by the Group. He travels overseas extensively to foster close relationship with buyers, to adapt to changes in their needs and to attend seminars and exhibitions on latest technology in timber processing both locally and overseas.

Mr. Ng was appointed as an Executive Director of HCIB on 25 March 1983.

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

Mr. Ng attended eight out of the nine Board meetings of HCIB held during the financial year ended 31 December 2003.

Mr. Ng holds 486,000 shares in HCIB and he also has an indirect interest of 7,664,200 shares in HCIB by virtue of his interest in Harvest Court Holdings (M) Sdn. Bhd., a substantial shareholder of HCIB. He is a son to Mr. Ng Chuan Seng @ Ng Teck Huat and a sibling to Mr. Ng Swee Kiat and Madam Ng Ai Cheng. He has no conflict of interest with HCIB and has no convictions for offences within the past ten years except for traffic offences.

3. NG AI CHENG – EXECUTIVE DIRECTOR

Madam Ng, a Malaysian, aged 51, obtained a degree in Bachelor of Computer Science from University of Wellington, New Zealand in 1977. Madam Ng has established her own business dealing in computers and software products for the past 13 years. She was appointed to the Board of HCIB on 18 December 1993 and currently she is helping the Group to establish a strong presence in the local doors and timber joinery markets.

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

Madam Ng attended eight out of the nine Board meetings of HCIB held during the financial year ended 31 December 2003.

Madam Ng does not have direct interest in HCIB. She has an indirect interest of 7,664,200 shares in HCIB by virtue of her family members shareholdings in Harvest Court Holdings (M) Sdn. Bhd., a substantial shareholder of HCIB. She is a daughter to Mr. Ng Chuan Seng @ Ng Teck Huat and a sibling to Mr. Ng Swee Kiat and Mr. Ng Swee Keong. She has no conflict of interest with HCIB and has no convictions for offences within the past ten years except for traffic offences.

DIRECTORS' PROFILES (CONT'D)

4. NG CHUAN SENG @ NG TECK HUAT – EXECUTIVE DIRECTOR

Mr. Ng, a Malaysian, aged 75, has more than 50 years of experience in the timber trade. He had been a timber logger, sawmiller, jetty operator and a seasoned timber downstream product manufacturer. As the most senior director in the Group, Mr. Ng has been a great source of inspiration by virtue of his vast invaluable experience to the management team. Mr. Ng was appointed as Chairman of HCIB on 28 June 1993. However, he relinquished this position on 31 December 2002. On 24 November 2003, Mr. Ng was re-designated as an Executive Director of the Company.

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

Mr. Ng attended all nine Board meetings of HCIB held during the financial year ended 31 December 2003.

Mr. Ng holds 100,000 shares in HCIB and he also has an indirect interest of 7,664,200 shares in HCIB by virtue of his interest in Harvest Court Holdings (M) Sdn. Bhd., a substantial shareholder of HCIB. He is the father to Mr. Ng Swee Kiat, Mr. Ng Swee Keong and Madam Ng Ai Cheng. He has no conflict of interest with HCIB and has no convictions for offences within the past ten years except for traffic offences.

5. SUKHINDERJIT SINGH MUKER – INDEPENDENT/NON-EXECUTIVE DIRECTOR

Mr. Muker, a Malaysian, aged 57, 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 as 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 being called to the Malaysian Bar in 1974.

Mr. Muker is presently the Chairman of the Remuneration Committee and a Member of the Nomination Committee and Audit Committee of HCIB. He was appointed as Audit Committee Member since 29 September 2003.

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

Mr. Muker attended all nine Board meetings of HCIB held during the financial year ended 31 December 2003.

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

6. YET KIONG SIANG – INDEPENDENT/NON-EXECUTIVE DIRECTOR

Mr. Yet, a Malaysian, aged 46, is a Fellow of the Chartered Association of Certified Accountants United Kingdom, a Member of the Malaysian Institute of Accountants and an Associate Member of the Institute of Internal Auditors Malaysia. He is an Auditor by profession. He joined Khoo Teng Kiat & Co. as an Audit Trainee in 1983 and progressed rapidly within the firm. Mr. Yet is currently the proprietor of Khoo Teng Kiat & Co. He has about 20 years of experience in the field of auditing, taxation, management consultancy and corporate advisory services.

Mr. Yet was appointed to the Board of HCIB as an Independent Non-Executive director on 18 July 1994. He is presently the Chairman of the Audit Committee as well as the Nomination Committee of HCIB. He was appointed as a member to Remuneration Committee since 26 May 2004.

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

Mr. Yet attended all nine Board meetings of HCIB held during the financial year ended 31 December 2003.

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Harvest Court Industries Berhad, it is my pleasure to present the Annual Report and the Audited Financial Statements of the Group and of the Company for the year ended 31 December 2003.

1. FINANCIAL PERFORMANCE

For the financial year ended 31 December 2003, the Group recorded a turnover of RM26.3 million, 4.36% lower than that of the previous financial year. The lower turnover was due to the weaker local and overseas market demand caused by the deferred sales and the continuing concerns over the war in the Middle East.

The Group recorded a loss after tax of RM0.5 million for the financial year ended 31 December 2003 compared to a profit of RM0.3 million for the previous financial year. The loss was due to a lower turnover, provision of doubtful debts and an increase in the finance costs as per the Group's income statement.

2. CORPORATE EXERCISE PROPOSAL

The Company had announced their corporate exercise proposals via its appointed Adviser, Public Merchant Bank Berhad pertaining to the following on 19 December 2003:

- a) Proposed acquisition of 100% equity interest in Rubber Timber (Melaka) Sdn. Bhd.
- b) Proposed acquisition of four (4) parcels of land
- c) Proposed acquisition of machineries
- d) Proposed private placement of up to 5,000,000 ordinary shares of RM1.00 each in the Company to investors to be identified
- e) Proposed special issue of up to 5,000,000 ordinary shares of RM1.00 each in the Company to Bumiputera investors to be identified
- f) Proposed amendments to the Bye-Laws of the existing employees' share option scheme of HCIB ("ESOS"), proposed termination of the existing ESOS and proposed establishment of a new ESOS
- g) Proposed increase in authorized share capital

These acquisitions, if successfully completed, will enable the Company and the Group to further expand its downstream activities in the timber industry and to achieve substantial savings in rental for factory premises which will augur well for the Group in the long run.

3. INDUSTRY TREND AND DEVELOPMENT

Malaysia is currently the largest exporter of logs and sawn timber and a major exporter of other products such as plywood, veneer and other wood based panels, wooden furniture, builders' carpentry and joineries and mouldings. The Malaysian timber industry has successfully developed and diversified into downstream activities with strong support from the Government and the implementation of the First and Second Industrial Master Plans (1986-1995 and 1996-2005).

To sustain the industry, the Government encouraged local manufacturers to source their supply of raw materials from other resource-rich countries; import semi-finished products to add value and subsequently export them and to improve on quality, product design, marketing and distribution.

Meanwhile, the property market is faced with an oversupply of industrial premises as well as a supply and demand mismatch in certain areas. Overall, the industry is still in a sluggish state although market sentiments are showing the beginning of recovery and it is expected to strengthen in 2004 with renewed confidence in the market.

CHAIRMAN'S STATEMENT (CONT'D)

4. OPERATION OVERVIEW

The Group's timber division remains the major contributor to the Group's performance in 2003 and is expected to continue to do so in 2004.

The Group's property division is expected to commence its contribution by Q4 2004 with the launching of its development projects in Klang, Selangor.

5. PROSPECTS

Barring unforeseen circumstances, it is envisaged that the Malaysian economy will register a mild economic growth this year to be driven by the manufacturing and service sectors. Moreover, the Group expects improvements in sales and profitability in the coming quarters due to favourable developments in the Middle East. As such the Group is confident to achieve better results in the current year.

6. DIRECTORATE

Mr. Ng Chuan Seng @ Ng Teck Huat was re-designated as an Executive Director of the Company with effect from 24 November 2003.

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.

Ng Swee Kiat
Chairman

Date : 4th June 2004
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 discharge of their responsibilities.

The Board comprises six directors, four are non-independent executive directors and two are independent non-executive directors. The Company is in compliance with Paragraph 15.02 of the Bursa Malaysia Listing Requirements whereby 1/3 of its Board members are independent directors. The profiles of the members of the Board are set out in pages 6 to 7 of the Annual Report.

2. Supply of information

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

To fulfill the responsibilities as set out above, all Directors have direct access to the advice and services of the Company Secretary as well as to independent professional advice, including the External Auditors.

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

3. Appointment to the Board

As recommended by the Code, the Nomination Committee was established on 5 December 2001, comprising exclusively of Non-Executive Directors, with the responsibilities of proposing new nominees for the Board and assessing Directors on an ongoing basis. The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee.

4. Directors' Training

In compliance with the Bursa Malaysia Listing Requirements, all existing members have completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate company of Bursa Malaysia. During the year, the Directors also attended the Bursa Malaysia accredited Continuing Education Programme for directors of public listed companies.

5. Re-election

The procedure for re-election of directors by rotation is set out in the Articles No. 97 and 103 of the Company's Articles of Association ("the Articles"). Pursuant to the Articles, all Directors who are appointed by the Board are subject to re-election by shareholders at the first meeting after their appointment. The Articles also provide 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 Malaysia Listing Requirements provide that each Director, including the Managing Director must retire from office at least once in every three years and being eligible, to offer himself 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 pages 6 to 7 of 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.

2. Disclosure

The aggregate remuneration of Directors for the financial year ended 31 December 2003 is as follow:

	Salaries & Other Emoluments (RM)
Executive Directors	756,232
Non-Executive Directors	12,950
Total:	769,182

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	-	2
50,001 – 100,000	-	-
100,001 – 150,000	1	-
150,001 – 200,000	1	-
200,001 – 250,000	1	-
250,001 – 300,000	1	-

C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS

The Group values regular communication with its shareholders and investors.

The Company reaches out to its shareholders through the issuance of Annual Reports, Explanatory Circulars and updates on the Company is provided through the quarterly reports and various announcements made throughout the year. Shareholders and investors could 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 Malaysia Listing Requirements on its responsibilities in preparing the financial statements is set out in Section E below.

2. Internal Controls

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

3. Relationship with Auditors

The External Auditors, Messrs Shamsir Jasani Grant Thornton who was appointed on 25 March 2004 have to report to members of the Company of their findings which are included as part of the Company's financial reports with respect to each year's audit on statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors will highlight to the Audit Committee and the Board of Directors on matters that require the Board's attention.

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 2003, 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 which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with mandatory provisions of the Companies Act, 1965. The Directors are also responsible for taking such steps that are reasonably open 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 2003, with the principles and best practices as set out in parts 1 and 2 respectively of the Code.

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

AUDIT COMMITTEE REPORT

1. COMPOSITION

Chairman

Mr. Yet Kiong Siang – Independent Non-Executive Director

Members

Mr. Ng Swee Kiat – Chairman/Managing Director

Mr. Sukhinderjit Singh Muker – Independent Non-Executive Director
(Appointed on 29.09.2003)

2. TERMS OF REFERENCE

2.1 Members

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

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

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

2.2 Responsibilities and Duties

2.2.1 To review the following and report to the Board:

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

AUDIT COMMITTEE REPORT (CONT'D)

2. TERMS OF REFERENCE (CONT'D)

2.2 Responsibilities and Duties (cont'd)

- 2.2.2 To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and whether there is reasonable (supported ground) to believe that the Company's external auditors are not suitable for re-appointment;
- 2.2.3 To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- 2.2.4 To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss;
- 2.2.5 To review the external auditors' management letter and management's response;
- 2.2.6 To do the following where an internal audit functions exists:
- a. Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - b. Review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken in the recommendations of the internal audit function;
 - c. Review any appraisal or assessment of the performance of members of the internal audit function;
 - d. Approve any appointment or termination of senior staff members and provide the resigning staff members an opportunity to submit his reason for resigning.
- 2.2.7 To consider the major findings of internal investigations and management's response.
- 2.2.8 To consider other topics as defined by the Board.

2.3 Rights and Authority of the Audit Committee

- 2.3.1 The Company must ensure that whenever necessary and reasonable for the performance of its duties, the Audit Committee shall, in accordance with the procedures to be determined by the Board and at the cost of the Company:
- have authority to investigate any matter within its terms of reference;
 - have the resource which are required to perform its duties;
 - have full and unrestricted access to any information pertaining to the Company;
 - have direct communication channels with the external auditors and person(s) carrying out internal audit function or activity (if any);
 - be able to obtain independent professional or other advice; and
 - be able to convene meetings with the external auditors, excluding the attendance of the executive member of the Committee whenever deemed necessary.

AUDIT COMMITTEE REPORT (CONT'D)

3. MEETINGS

- 3.1 The Committee shall convene at least four (4) regular meetings a year and such additional meetings as the Chairman shall determine. The Chairman shall convene a meeting of the Committee, if so requested by any member of the Committee, the Management of the Group, the internal auditors or the external auditors.
- 3.2 The external auditors shall have the rights to appear and be heard at any meetings of the Committee and appear before the Committee upon request by the Committee.
- 3.3 The Head of Internal Audit and a representative of the external auditors shall attend all meetings of the Committee. Other members of the Board may attend meetings of the Committee upon its invitation.
- 3.4 The quorum for any meeting of the Committee shall be three (3) members present in person, the majority of whom present shall be independent Non-Executive directors.

4. ATTENDANCE OF MEETINGS

During the year ended 31 December 2003, the audit committee held four (4) meetings. Details of the attendance of committee members are as follows:

Member	Attendance
Mr. Yet Kiong Siang	4/4
Mr. Ng Swee Kiat	4/4
Mr. Sukhinderjit Singh Muker (<i>Appointed on 29.09.2003</i>)	1/1
Mr. Teo Tian Tiak (<i>Resigned on 23.06.2003</i>)	3/3

5. SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The activities of the Audit Committee during the financial year ended 31 December 2003 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

6. INTERNAL AUDIT FUNCTIONS

The internal audit department was established in May 2002 to assist the Audit Committee in discharging their responsibilities and duties. The role of the internal audit functions is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

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

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

- i) Review the system of internal controls of the various business operating units;
- ii) Recommend improvements to the existing systems of internal controls;
- iii) Follow up on implementation and disposition of audit findings and recommendation;
- iv) Ascertain the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
- v) Carry out various special assignments requested by the management and or the Audit Committee;
- vi) Identify opportunities to improve the operations of and processes in the Company and the Group.

STATEMENT OF INTERNAL CONTROL

The Board is aware of the importance of maintaining a sound internal control system in the Company and its subsidiaries to achieve the corporate objectives with an acceptable risk environment and is responsible for reviewing its adequacy and integrity.

RISK MANAGEMENT

The Group's systems of internal controls are designed to manage rather than eliminate risk of failure to achieve corporate objectives and the Group's financial risk management policy is not to engage in speculative transactions and seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange exposure, liquidity and credit risks.

KEY ELEMENTS OF INTERNAL CONTROLS

The Board has outsourced the internal audit function to an external professional consultancy firm.

The Board with the assistance from the outsourced Internal Audit Division, has reviewed the Group's internal control systems and the procedures in place to identify any weaknesses in the systems and procedures, or any significant risk areas in the operations, and where necessary, make appropriate recommendations for improvements with a view to achieve efficacy in the key elements of the internal control. The key elements of internal controls are as follows:

- clearly defined duties and responsibilities, and authority of each employee via organization charts, appointment letters and procedures;
- clearly documented procedures to be adhered by any employee who is responsible to perform certain tasks. These procedures will be regularly updated to reflect the changing circumstances, and any changes will be informed to the employee concerned by way of internal memo, or by other suitable means. This is to facilitate proper controls in the running of daily operations/activities;
- the internal auditor will monitor the activities to ensure that they comply with procedures. Non-compliance will be reported to the Board for immediate corrective actions;
- financial results are also reviewed quarterly by the Board and the Audit Committee to assess the performance of the Group;
- management meetings, which involve the Executive Directors and the heads of all departments, are regularly held in order to identify and address any problems faced by the departments to the Board, so that prompt actions could be taken to curb the problems.

The Board is not aware of any significant dealings or weaknesses in internal control which resulted in material loss during the current financial year. Management is however, aware of the need to continually strengthen control mechanisms to cater towards changes in the operating environment.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

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

2. SHARE BUY-BACKS

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

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

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

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

5. IMPOSITION OF SANCTIONS/PENALTIES

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

6. NON-AUDIT FEES

There was no such payment made to external auditors during the financial year.

7. VARIANCE FROM PROFIT FORECAST OR UNAUDITED RESULTS PREVIOUSLY MADE

	RM'000
Net Profit after tax before Minority Interest as per quarterly announcement	770
Adjustments for:	
Taxation	(148)
Provision for doubtful debts	(356)
Interest expenses	(740)
Amortisation of goodwill	(4)
Depreciation	6
Others	(70)
Actual Loss after taxation before Minority Interest	(542)

8. PROFIT GUARANTEE

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

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)

9. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

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

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

Recurrent related party transactions of a revenue and trading nature during the year amounted to RM2,594,833 with details as stated in Note 30 to the financial statements.

11. REVALUATION POLICY ON LANDED PROPERTIES

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

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 13 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Loss after taxation	(542,087)	(1,428,536)
Minority interests	1,743	-
Loss attributable to shareholders	(540,344)	(1,428,536)
(Accumulated loss)/Retained profits brought forward	(9,159,459)	2,789,987
(Accumulated loss)/Retained profits carried forward	(9,699,803)	1,361,451

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the year, the following shares of RM1 each were issued:

Date of issue	Purpose of issue	Class of share	Number of shares	Term of issue
3.12.2003	Exercise of ESOS	Ordinary	260,000	Cash
18.12.2003	Exercise of ESOS	Ordinary	260,000	Cash

There were no debentures issued during the year.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 23 June 2000 and became effective on 15 July 2000.

The salient features of the ESOS are as follows:

- (a) Eligible persons are employees and Executive Directors of the Group whose employment have been confirmed and have been in the employment of the Group for at least one year as at the date of the offer. The selection of eligible persons for participation in the ESOS shall be at the discretion of the Option Committee.

DIRECTORS' REPORT (CONT'D)

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONT'D)

- (b) The total number of shares which may be made available shall not exceed ten percentum (10%) of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS.
- (c) The ESOS shall be in force for a period of five years from 15 July 2000.
- (d) The option price for each share shall be the average of the mean market quotation of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five trading days preceding the date of offer.
- (e) No option shall be granted for less than 1,000 shares nor more than 350,000 shares to any single eligible employee.
- (f) The number of shares under option or the option price or both so far as the option remain unexercised may be adjusted following any variation in the issued share capital of the Company by way of a capitalisation or rights issue or a reduction, subdivision or consolidation of the Company's shares made by the Company.
- (g) The new shares allotted upon any exercise of the option shall rank pari passu in all respects with the existing issued and paid-up shares of the Company except that the new shares so issued will not rank for any rights or bonus issues and dividend announced.

As at 31 December 2003, the options offered to take up unissued ordinary shares of RM1 each and the option prices are as follows:

Year of offer	Option price	Number of option over ordinary shares of RM 1 each			
		Balance at 1.1.2003	Granted	Exercised	Balance at 31.12.2003
2000	RM1.50	411,000	-	(130,000)	281,000
2001	RM1.50	471,000	-	(130,000)	341,000
2002	RM1.50	146,000	-	(130,000)	16,000
2003	RM1.50	-	952,000	(130,000)	822,000
		1,028,000	952,000	(520,000)	1,460,000

INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and there are no bad debts to be written off; 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 it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

DIRECTORS' REPORT (CONT'D)

INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D)

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

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

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

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

SIGNIFICANT EVENT DURING THE YEAR

Significant event during the year is disclosed in Note 33 to the financial statements.

OTHER STATUTORY INFORMATION

The Directors state that:

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

In their opinion:

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

DIRECTORS

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

Ng Swee Kiat (*Chairman/Managing Director*)
Ng Swee Keong (*Executive Director*)
Ng Ai Cheng (*Executive Director*)
Ng Chuan Seng @ Ng Teck Huat (*Executive Director*)
Sukhinderjit Singh Muker (*Independent Non-Executive Director*)
Yet Kiong Siang (*Independent Non-Executive Director*)
Teo Tian Tiak (*Independent Non-Executive Director*)(resigned on 23.6.2003)

In accordance with Section 129 (2) of the Companies Act, 1965, Ng Chuan Seng @ Ng Teck Huat retires at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with the Company's Articles of Association, Ng Ai Cheng and Sukhinderjit Singh Muker retire at the forthcoming Annual General Meeting and, being eligible, offer themselves 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 year in shares in the Company and its related corporations were as follows:

Interest in the Company	Ordinary shares of RM1 each			At 31.12.2003
	At 1.1.2003	Bought	Sold	
Direct Interest				
Ng Chuan Seng @ Ng Teck Huat	–	280,000	–	280,000
Ng Swee Kiat	495,000	240,000	(250,000)	485,000
Ng Swee Keong	495,000	–	(9,000)	486,000
Ng Ai Cheng	1,000	–	–	1,000
Sukhinderjit Singh Muker	10,000	–	–	10,000

Deemed Interest

Ng Chuan Seng @ Ng Teck Huat*	8,164,200	–	(520,000)	7,644,200
Ng Swee Kiat*#	8,164,200	250,000	(570,000)	7,844,200
Ng Swee Keong*	8,164,200	–	(520,000)	7,644,200
Ng Ai Cheng*	8,164,200	–	(520,000)	7,644,200

	Option over ordinary shares of RM1 each			At 31.12.2003
	At 1.1.2003	Granted	Exercised	
Ng Chuan Seng @ Ng Teck Huat	210,000	70,000	(280,000)	–
Ng Swee Kiat	180,000	60,000	(240,000)	–
Ng Swee Keong	180,000	60,000	–	240,000
Ng Ai Cheng	180,000	60,000	–	240,000

* deemed interest by virtue of their shareholdings in Harvest Court Holdings (M) Sdn Bhd

deemed interest by virtue of his spouse's interest in the Company

By virtue of their interest in the shares of the Company, Directors having interest in the shares of the Company are 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 held any shares or had any interest in shares of the Company and its related corporations during the year.

DIRECTORS' BENEFITS

During and at the end of the 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 scheme.

Since the end of the previous 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 Shamsir Jasani 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 2004

NG SWEE KIAT)	
)	
)	
)	
)	
)	DIRECTOR
)	
)	
)	
)	
)	
)	
NG SWEE KEONG)	

Kuala Lumpur
29 April 2004

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2003, results of the operations and cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 29 April 2004

NG SWEE KIAT

NG SWEE KEONG

Kuala Lumpur
29 April 2004

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 accompanying financial statements 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 2004.)

NG SWEE KIAT

Before me,

T. THANDONEE (W228)
Commissioner for Oaths

REPORT OF THE AUDITORS

TO THE MEMBERS OF HARVEST COURT INDUSTRIES BERHAD
(INCORPORATED IN MALAYSIA)

We have audited the financial statements set out on pages 26 to 59. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion:

- a) the financial statements which have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2003, results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

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

We have considered the financial statements and the auditors' reports thereon of the subsidiary company of which we have not acted as auditors, as indicated in Note 13 to the financial statements.

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

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

The financial statements of the Company as of 31 December 2002 were audited by another firm of auditors whose report dated 25 April 2003 expressed an unqualified opinion on those financial statements.

SHAMSIR JASANI GRANT THORNTON
(NO: AF-737)
CHARTERED ACCOUNTANTS

DATO' N. K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/06(J/PH))
PARTNER

Kuala Lumpur
29 April 2004

BALANCE SHEETS

AS AT 31 DECEMBER 2003

Note	Group		Company		
	2003 RM	2002 RM	2003 RM	2002 RM	
CAPITAL AND RESERVES					
SHARE CAPITAL	5	20,340,000	19,820,000	20,340,000	19,820,000
SHARE PREMIUM	6	270,000	10,000	270,000	10,000
EXCHANGE TRANSLATION RESERVE	7	(42,784)	23,158	-	-
(ACCUMULATED LOSS)/ RETAINED PROFITS		(9,699,803)	(9,159,459)	1,361,451	2,789,987
Total shareholders' funds		10,867,413	10,693,699	21,971,451	22,619,987
MINORITY INTERESTS		74,027	75,770	-	-
LONG TERM BORROWINGS	8	376,234	4,207,378	-	-
FINANCE PAYABLES	9	412,957	577,963	-	-
DEFERRED TAX LIABILITIES	10	610,000	649,300	-	-
		12,340,631	16,204,110	21,971,451	22,619,987
Represented by:					
PROPERTY, PLANT AND EQUIPMENT					
	11	18,606,797	20,035,377	137,582	187,694
LAND HELD FOR DEVELOPMENT	12	22,566,050	20,998,238	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	13	-	-	53,665,991	54,865,989
GOODWILL ON CONSOLIDATION	14	432,146	453,913	-	-
FIXED DEPOSITS WITH A LICENSED BANK	15	506,011	493,016	-	-
CURRENT ASSETS					
Inventories	16	11,806,755	14,202,211	-	-
Trade receivables	17	7,012,310	3,685,453	-	-
Other receivables, deposits and prepayments	18	1,228,228	1,119,720	460,289	299,670
Amount due from subsidiary companies	19	-	-	7,655,634	6,104,999
Tax recoverable		19,397	14,483	-	-
Cash and bank balances		216,011	232,235	36,916	52,454
Total current assets		20,282,701	19,254,102	8,152,839	6,457,123
CURRENT LIABILITIES					
Trade payables	20	2,151,243	1,664,681	-	-
Other payables and accruals	21	5,824,590	5,633,813	3,363,268	2,685,760
Amount due to subsidiary companies	19	-	-	16,470,332	16,438,913
Amount due to Directors	22	96,089	-	79,089	-
Short term borrowings	8	40,558,270	36,181,073	19,848,614	19,540,847
Finance payables	9	304,324	446,120	-	43,942
Tax payables		1,118,558	1,104,849	223,658	181,357
Total current liabilities		50,053,074	45,030,536	39,984,961	38,890,819
NET CURRENT LIABILITIES					
		(29,770,373)	(25,776,434)	(31,832,122)	(32,433,696)
		12,340,631	16,204,110	21,971,451	22,619,987

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

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	23	26,297,937	27,539,246	132,000	379,069
Cost of sales		(18,805,272)	(19,389,428)	-	-
Gross profit		7,492,665	8,149,818	132,000	379,069
Other operating income		221,094	122,861	1,649,105	1,342,714
Selling and distribution expenses		(1,384,954)	(1,246,737)	-	-
Administration expenses		(4,522,954)	(4,907,086)	(279,506)	(302,419)
Other operating expenses		(383,971)	(329,559)	(1,200,000)	-
Profit from operations		1,421,880	1,789,297	301,599	1,419,364
Finance costs		(1,816,170)	(1,597,691)	(1,654,135)	(1,581,265)
(Loss)/profit before taxation	24	(394,290)	191,606	(1,352,536)	(161,901)
Taxation	25	(147,797)	101,593	(76,000)	-
(Loss)/profit after taxation		(542,087)	293,199	(1,428,536)	(161,901)
Minority interests		1,743	1,803	-	-
Net (loss)/profit for the year		(540,344)	295,002	(1,428,536)	(161,901)
(Loss)/earnings per share (sen)					
- Basic	26	(2.7)	1.5		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2003

Group	Share capital RM	Share premium RM	Exchange translation reserve RM	(Accumulated loss)/ Retained profits RM	Total RM
Balance at 1 January 2002	19,820,000	10,000	69,936	(9,454,461)	10,445,475
Currency translation differences, representing unrealised losses not recognised in the income statements	-	-	(46,778)	-	(46,778)
Net profit for the year	-	-	-	295,002	295,002
Balance at 31 December 2002	19,820,000	10,000	23,158	(9,159,459)	10,693,699
Issuance of share	520,000	260,000	-	-	780,000
Currency translation differences, representing unrealised losses not recognised in the income statements	-	-	(65,942)	-	(65,942)
Net loss for the year	-	-	-	(540,344)	(540,344)
Balance at 31 December 2003	20,340,000	270,000	(42,784)	(9,699,803)	10,867,413
Company					
Balance at 1 January 2002	19,820,000	10,000	-	2,951,888	22,781,888
Net loss for the year	-	-	-	(161,901)	(161,901)
Balance at 31 December 2002	19,820,000	10,000	-	2,789,987	22,619,987
Issuance of share	520,000	260,000	-	-	780,000
Net loss for the year	-	-	-	(1,428,536)	(1,428,536)
Balance at 31 December 2003	20,340,000	270,000	-	1,361,451	21,971,451

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(394,290)	191,606	(1,352,536)	(161,901)
Adjustments for:				
Amortisation of goodwill	21,767	18,053	-	-
Bad debts written off	-	30,606	-	-
Depreciation	1,678,808	1,686,117	50,112	60,492
(Gain)/loss on disposal of property, plant and equipment	(159,310)	252,866	-	(17,234)
Gain on foreign exchange	-	(43,478)	-	-
Impairment loss on investment in subsidiary company	-	-	1,200,000	-
Interest expenses	1,684,608	1,416,185	1,649,785	1,568,976
Interest income	(13,413)	(268,312)	(1,649,105)	(1,325,480)
Provision for doubtful debts - specific	356,395	-	-	-
Operating profit/(loss) before working capital changes	3,174,565	3,283,643	(101,744)	124,853
Changes in working capital:				
Directors	96,089	-	79,089	-
Inventories	2,395,456	1,234,957	-	-
Payables	682,393	1,286,573	677,505	1,581,943
Receivables	(3,791,760)	724,507	(160,618)	39,701
Subsidiary companies	-	-	(1,519,216)	4,447,261
Cash generated from/(used in) operations	2,556,743	6,529,680	(1,024,984)	6,193,758
Interest paid	(955,817)	(1,416,185)	(920,994)	(1,568,976)
Tax paid	(201,263)	(1,063,109)	(33,699)	(649,075)
Net cash generated from/(used in) operating activities	1,399,663	4,050,386	(1,979,677)	3,975,707
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditure on land held for development	(1,192,262)	(1,482,422)	-	-
Interest received	13,413	268,312	1,649,105	1,325,480
Proceeds from disposal of property, plant and equipment	433,860	925,185	-	51,000
Purchase of property, plant and equipment (Note A)	(419,408)	(3,745,976)	-	-
Net cash (used in)/generated from investing activities	(1,164,397)	(4,034,901)	1,649,105	1,376,480

CASH FLOW STATEMENT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2003

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Bankers' acceptance	(3,483,000)	479,000	(825,000)	(2,000)
Bills payable	2,578,552	303,198	-	-
Advances from/(repayment of) borrowings	453,000	1,545,498	-	608,202
Drawdown of term loans	-	4,916,599	-	-
Placement of fixed deposit	(12,995)	(15,605)	-	-
Proceeds from issuance of shares	780,000	-	780,000	-
Proceeds from refinancing of property, plant and equipment	-	287,437	-	-
Repayment of finance payables	(385,802)	(745,558)	(43,942)	(243,566)
Repayment of term loans	(241,791)	(6,172,832)	-	(4,966,746)
Net cash (used in)/generated from financing activities	(312,036)	597,737	(88,942)	(4,604,110)
CASH AND CASH EQUIVALENTS				
Net changes	(76,770)	613,222	(419,514)	748,077
Brought forward	(8,806,775)	(9,408,292)	(5,922,220)	(6,670,297)
Exchange differences	(74,405)	(11,705)	-	-
Carried forward (Note B)	(8,957,950)	(8,806,775)	(6,341,734)	(5,922,220)

NOTES TO CASH FLOW STATEMENTS

A. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM498,408 (2002: RM3,824,276) of which RM79,000 (2002: RM78,300) was acquired by means of hire purchase/finance leases. Cash payments of RM419,408 (2002: RM3,745,976) were made to purchase the property, plant and equipment.

B. CASH AND CASH EQUIVALENTS COMPRISE OF:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Bank overdraft	(9,173,961)	(9,039,010)	(6,378,650)	(5,974,674)
Cash and bank balances	216,011	232,235	36,916	52,454
	(8,957,950)	(8,806,775)	(6,341,734)	(5,922,220)

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2003

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

The Group and the Company have adopted the following new Malaysian Accounting Standards Board (MASB) in these financial statements:

- (a) MASB Standard 25, Income Taxes (See Note 3 (o)) which are applied retrospectively.
- (b) MASB Standard 27, Borrowing Costs (See Note 3 (n)) which are applied retrospectively.
- (c) MASB Standard 29, Employee Benefits (See Note 3 (s)) which are applied prospectively.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Foreign Exchange Risk

One of the subsidiary companies is exposed to Australian Dollar. The Group operates locally and is not exposed to significant foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia. Foreign currency denominated liabilities together with expected future cash flows from highly probable purchases give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

(b) Interest Rate Risk

The Group's investment in financial assets are interest bearing debts which are short term in nature.

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

(c) Market Risk

For key product purchase, the Group establishes floating and fixed priced levels that the Group considers acceptable and enters physical supply or derivative agreements, where necessary, to achieve these levels.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

(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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

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

(b) Basis of Consolidation

The consolidated financial statements included the financial statements of the Company and all its subsidiary companies.

Subsidiary companies are consolidated using the acquisition method of accounting except for the acquisitions of subsidiary companies which meet the conditions for merger accounting (as set out in Malaysian Accounting Standard Board ("MASB") Standard 21 : Business Combinations) are accounted for under the said method. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or reserves arising on consolidation.

All significant inter group transactions, balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only. The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary company at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (v).

Goodwill is amortised on a straight-line basis over its estimated useful life. Goodwill is amortised over 25 years from the following year of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

(d) Subsidiary Companies

Subsidiary companies are those companies in which the Group has a long term interest of more than 50% of the equity capital and in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 3 (v). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) 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.

(f) Property, Plant and Equipment and Depreciation

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

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

Freehold land and work in progress are not depreciated. All other property, plant and equipment are depreciated on a straight line method 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%
Renovation	20%

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(g) Land held for Development

Land held for development consists of land held for future development and where no significant development has been undertaken and are stated at cost. Costs include cost of land and attributable development expenditure. Such assets are transferred to development properties when significant development work has been under taken and are expected to be completed within the normal operating cycle or when intended for resale as vacant land.

(h) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads.

(i) Provisions for Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

(j) Receivables

Known bad debts are written off and specific provision is made for debts which are considered doubtful of collection.

(k) 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) Contract income

Revenue on construction project works is recognised based on the percentage of completion method in cases when the outcome of the project can be reliably estimated.

Where the outcome of a construction project cannot be estimated reliably:

(a) revenue is recognised only to the extent of contract costs incurred that it is probable to be recoverable; and

(b) contract costs will be recognised as an expense in the year in which they are incurred.

'Percentage of completion' is determined by reference to the proportion of total certified progress billing at the balance sheet date to the total contract sum. Provision is made for all foreseeable losses.

(l) Foreign Currencies

i) Foreign currency transactions

Foreign currency transactions are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at the date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

(l) Foreign Currencies (cont'd)

ii) Foreign entities

Financial statements of foreign consolidated subsidiary company are translated at year-end exchange rate with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2003 RM	2002 RM
Australian Dollar	2.70	2.15
United States Dollar	3.80	3.80

(m) Share Capital

Ordinary shares are classified as equity.

External costs directly attributable to the issue of new shares are shown as a deduction, net of tax in equity from the proceeds.

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

(n) Interest-bearing Borrowings

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

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

(o) Income Tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

(o) Income Tax (cont'd)

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

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

Prior to the adoption of MASB 25 – Income Taxes on 1 July 2002, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(p) Property, Plant and Equipment acquired under Finance Lease and Hire Purchase Arrangements

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

(q) 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.

(r) 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 (CONT'D)

- 31 DECEMBER 2003

(s) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

The Employees Share Option Scheme ("ESOS") allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(t) Segmental Results

Segment revenues and expenses 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.

(u) 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.

(v) 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 net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit.

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

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements 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 statements, a reversal of that impairment loss is recognised as income in the income statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

4. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 13 to the financial statements.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a Resolution of the Directors on 29 April 2004.

5. SHARE CAPITAL

	Group and Company 2003 2002 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 of year	19,820,000	19,820,000
Issued during the year	520,000	-
At end of the year	20,340,000	19,820,000

6. SHARE PREMIUM

	Group and Company 2003 2002 RM RM	
Non distributable:		
At beginning of the year	10,000	10,000
Arising from issuance of share	260,000	-
At the end of the year	270,000	10,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

7. EXCHANGE TRANSLATION RESERVE

	Group and Company	
	2003	2002
	RM	RM
Non distributable:		
At beginning of year	23,158	69,936
Currency translation differences, representing unrealised losses not recognised in the income statements	(65,942)	(46,778)
At end of year	(42,784)	23,158

8. BORROWINGS

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
<u>Long term borrowings</u>				
Secured:				
Term loan 1	4,342,922	4,069,957	-	-
Term loan 2	1,162,572	1,059,987	-	-
Term loan 3	373,067	614,858	-	-
Al-Bai Bithaman Ajil	453,000	-	-	-
	6,331,561	5,744,802	-	-
Less: Due within one year	(5,955,327)	(1,537,424)	-	-
	376,234	4,207,378	-	-
<u>Short term borrowings</u>				
Secured:				
Bank overdrafts	9,137,859	8,611,160	6,378,650	5,974,674
Bills payable	3,379,940	2,064,448	-	-
Bankers' acceptance	7,365,223	8,875,000	3,201,223	3,799,000
Export credit refinancing	5,268,741	4,767,173	5,268,741	4,767,173
Revolving credits	8,152,018	6,452,018	5,000,000	5,000,000
Long term borrowings due within one year	5,955,327	1,537,424	-	-
	39,259,108	32,307,223	19,848,614	19,540,847
Unsecured:				
Bank overdrafts	36,102	427,850	-	-
Bankers' acceptance	-	1,746,000	-	-
Bill payable	1,263,060	-	-	-
Revolving credit	-	1,700,000	-	-
	1,299,162	3,873,850	-	-
Total short term borrowings	40,558,270	36,181,073	19,848,614	19,540,847

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

8. BORROWINGS (CONT'D)

Long Term Borrowings

- (a) The long term borrowings obtained from financial institutions are secured by means of:
- (i) Term loan 1 - 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) Term loan 2 - first party second legal charge over a subsidiary company's landed properties and corporate guarantee by the Company.
 - (iii) Term loan 3 - third party charge of RM1,500,000 over a landed property of a company in which the Directors have interest and corporate guarantee by the Company.
 - (iv) Al-Bai Bithaman Ajil - corporate guarantee by the Company, a debenture by way of first fixed charge on the machinery and equipment financed by the bank.
- (b) The repayment schedule of the long term borrowings are:
- (i) Term loan 1 is repayable over 14 quarterly instalments commencing June 2002.
 - (ii) Term loan 2 is repayable over 48 monthly instalments commencing September 2002.
 - (iii) Term loan 3 is repayable over 48 monthly instalments commencing December 2000.
 - (iv) The Al-Bai Bithaman Ajil facility is repayable over 60 monthly instalments commencing January 2004.
- (c) The long term borrowings carry interest at rates ranging from 6.0% to 8.5% (2002: 6.0% to 8.5%) per annum.
- (d) The Group is currently in negotiations with banks to restructure the repayments of term loan 1, 2 and 3. As such, these term loans are classified as short term.

Short Term Borrowings

(a) **Group**

Short term borrowings are secured by landed properties in the aggregate cost of RM9,644,544 (2002: RM8,681,211), a pledge of fixed deposits of RM506,011 (2002: RM493,016) negative pledges over other assets of certain subsidiary companies and corporate guarantees executed by the Company.

Company

Short term borrowings are secured by means of:

- (i) existing facilities agreement for RM16,000,000;
 - (ii) third party first legal charge for RM16,000,000 created over landed properties of a Director and a company in which Directors have interest;
 - (iii) third party first fixed charge over landed properties of a subsidiary company;
 - (iv) negative pledge over assets of the Company; and
- (b) The short term borrowings are obtained at interest rates ranging from 3.5% to 9.0% (2002: 3.5% to 10.0%) per annum.
- (c) The Company is currently in negotiations with banks to restructure the repayments of the short term borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

9. FINANCE PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Payable within 1 year	371,944	510,833	-	43,942
Payable after 1 year but not later than 5 years	495,808	666,102	-	-
Payable after 5 years	23,242	-	-	-
	890,994	1,176,935	-	43,942
Less: Interest in suspense	(173,713)	(152,852)	-	-
	717,281	1,024,083	-	43,942
Present value of hire purchase				
- within 1 year	304,324	446,120	-	43,942
- after 1 year but not later than 5 years	394,191	577,963	-	-
- after 5 years	18,766	-	-	-
	717,281	1,024,083	-	43,942

10. DEFERRED TAX LIABILITIES

	Group	
	2003 RM	2002 RM
At beginning of the year	649,300	980,000
Transfer to income statements (Note 25)	(39,300)	(330,700)
At the end of the year	610,000	649,300
The balance in the deferred taxation is made up of temporary differences arising from:		
Capital allowances in excess of depreciation	1,255,000	1,176,300
Unabsorbed business losses	(452,500)	(431,500)
Unutilised capital allowances	(192,500)	(95,500)
	610,000	649,300

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

10. DEFERRED TAX LIABILITIES (CONT'D)

As at 31 December 2003, the estimated amount of deferred tax assets calculated at current tax rate which has not been recognised in the Group's financial statements are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax effects of timing differences in respect of the excess of tax capital allowance over book depreciation	188,117	174,202	33,000	44,000
Unabsorbed business losses	(478,889)	(703,597)	(134,043)	(196,898)
Unutilised capital allowances	(145,423)	(280,092)	(17,102)	(17,102)
Deferred tax assets	(436,195)	(809,487)	(118,145)	(170,000)

The potential deferred tax assets of the Group have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiary companies in the Group and it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

11. PROPERTY, PLANT AND EQUIPMENT

Group								Total 2003 RM	Total 2002 RM
	Buildings RM	Plant and machinery RM	Motor vehicles RM	Office furniture, fittings and equipment RM	Renovation RM	Building in progress RM			
Cost									
At beginning of year	8,714,567	19,469,158	1,760,571	1,243,741	-	2,772,453	33,960,490	31,671,912	
Addition	-	323,449	88,269	-	-	86,690	498,408	3,824,276	
Disposal	-	(365,548)	(522,433)	-	-	-	(887,981)	(1,535,698)	
Transferred from building in progress	2,536,586	-	-	-	-	(2,536,586)	-	-	
Translation difference	-	38,693	66,032	3,629	-	-	108,354	-	
At end of year	11,251,153	19,465,752	1,392,439	1,247,370	-	322,557	33,679,271	33,960,490	
Accumulated depreciation									
At beginning of year	1,059,961	11,386,350	710,207	768,595	-	-	13,925,113	12,596,642	
Charge for the year	228,031	1,184,935	151,441	114,401	-	-	1,678,808	1,686,117	
Disposal	-	(286,939)	(326,492)	-	-	-	(613,431)	(357,646)	
Translation difference	-	30,899	48,657	2,428	-	-	81,984	-	
At end of year	1,287,992	12,315,245	583,813	885,424	-	-	15,072,474	13,925,113	
Net book Value									
2003	9,963,161	7,150,507	808,626	361,946	-	322,557	18,606,797	-	
2002	7,654,606	8,082,808	1,050,364	475,146	-	2,772,453	-	20,035,377	
Depreciation charged for the year ended 31 December 2002	193,631	1,191,467	159,653	112,585	28,781	-	-	1,686,117	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Office furniture, fittings and equipment RM	Motor vehicles RM	Total 2003 RM	Total 2002 RM
Cost				
At beginning of year	622,057	18,973	641,030	737,927
Disposal	-	-	-	(96,897)
At end of year	622,057	18,973	641,030	641,030
Accumulated depreciation				
At beginning of year	435,871	17,465	453,336	455,974
Charge for the year	49,736	376	50,112	60,492
Disposal	-	-	-	(63,130)
At end of year	485,607	17,841	503,448	453,336
Net book value				
2003	136,450	1,132	137,582	-
2002	186,186	1,508	-	187,694
Depreciation charged for the year ended 31 December 2002	50,425	10,067	-	60,492

Group

(a) Property, plant and equipment held under hire purchase arrangements are as follows:

	Group	
	2003 RM	2002 RM
Net book value		
Plant and machinery	426,700	603,000
Motor vehicles	714,665	718,717
	1,141,365	1,321,717

(b) The buildings with net book value amounted to RM561,984 (2002: RM575,053) are pledged to licensed banks for banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

12. LAND HELD FOR DEVELOPMENT

	Group	
	2003 RM	2002 RM
At cost:		
Leasehold land	5,380,110	5,380,110
Freehold land	5,574,500	5,574,500
Development expenditure	15,877,917	14,310,105
	26,832,527	25,264,715
Less: Impairment loss	(4,266,477)	(4,266,477)
	22,566,050	20,998,238

The freehold and long term leasehold land of the Group in the aggregate cost of RM10,954,610 (2002: RM10,954,610) have been pledged to banks as part of the securities for banking facilities extended to the Company and a subsidiary company.

Included in development expenditure of the Group is interest expense of RM1,324,162 (2002: RM1,255,374) capitalised during the year (Note 24).

The strata title of the long term leasehold land is yet to be issued by the relevant authorities.

13. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2003 RM	2002 RM
Unquoted shares, in Malaysia		
- At cost	46,780,002	46,780,000
- Less: Impairment loss	(1,200,000)	-
	45,580,002	46,780,000
- At valuation in year 1993	15,085,989	15,085,989
Less: Impairment loss	(7,000,000)	(7,000,000)
	8,085,989	8,085,989
	53,665,991	54,865,989

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

13. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

A detailed list of subsidiary companies is as follows:

Name of company	% Effective interest		Principal activities	Country of incorporation
	2003	2002		
Harvest Court (M) Sdn. Bhd.	100	100	Sawmilling and marketing of sawn timber.	Malaysia
Harvest Court Marketing Sdn. Bhd.	100	100	Marketing of timber doors and other related products.	Malaysia
Harvest Lumber Sdn. Bhd.	100	100	Manufacturing and marketing of timber doors and other related products.	Malaysia
Harvest Court Corporation Sdn. Bhd.	100	100	Manufacturing and marketing of timber doors and other related products.	Malaysia
Harvest Exporter Sdn. Bhd.	100	100	Sawn timber export and related products.	Malaysia
Quantum Pro Sdn. Bhd.	100	100	Timber kiln drying.	Malaysia
Harvest Court Properties Sdn. Bhd.	100	100	Property development.	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.	Malaysia
Harvest Nation Sdn. Bhd.	100	100	Dormant.	Malaysia
Timbeck (M) Sdn. Bhd.	100	100	Dormant.	Malaysia

Held by Harvest Court Management Sdn. Bhd.:

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

14. GOODWILL ON CONSOLIDATION

	2003 RM	Group 2002 RM
At beginning of year	544,178	544,178
Less: Accumulated amortisation	(112,032)	(90,265)
At end of year	432,146	453,913

15. FIXED DEPOSITS WITH A LICENSED BANK

Group

The fixed deposits have been pledged to a licensed bank for banking facilities granted to the Group.

16. INVENTORIES

	2003 RM	Group 2002 RM
At cost:		
Raw Materials	1,094,084	3,796,217
Work-in-progress	5,411,725	6,085,970
Finished goods	5,300,946	4,320,024
	11,806,755	14,202,211

17. TRADE RECEIVABLES

	2003 RM	Group 2002 RM
Trade receivables	7,038,318	3,599,124
Due from companies in which certain Directors, Ng Chuan Seng @ Ng Teck Huat, Ng Swee Kiat, Ng Ai Cheng and Ng Swee Keong have substantial interest	262,445	86,329
	7,300,763	3,685,453
Less: Provision for doubtful debts	(288,453)	-
	7,012,310	3,685,453

The amount due from company in which certain Directors have interest is unsecured, interest free and has no fixed terms of repayment.

Credit terms of trade receivables range from 30 days to 180 days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Other receivables, deposits and prepayments	1,296,170	1,119,720	460,289	299,670
Less: Provision for doubtful debts	(67,942)	-	-	-
	1,228,228	1,119,720	460,289	299,670

19. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

Company

The amount due from/(to) subsidiary companies is unsecured, interest free except for certain advances bearing interest at Nil (2002: 8.4%) and has no fixed term of repayment.

20. TRADE PAYABLES

	Group	
	2003 RM	2002 RM
Trade payables	1,042,424	1,664,681
Due to companies in which certain Directors, Ng Chuan Seng @ Ng Teck Huat, Ng Swee Kiat, Ng Ai Cheng and Ng Swee Keong have substantial interest	1,108,819	-
	2,151,243	1,664,681

Credit terms of trade payables range from 30 days to 180 days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

21. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals among other items are the following:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Due to companies in which certain Directors, Ng Chuan Seng @ Ng Teck Huat, Ng Swee Kiat, Ng Ai Cheng and Ng Swee Keong have substantial interest	193,985	-	64,985	-

22. AMOUNT DUE TO DIRECTORS

Group and Company

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

23. REVENUE

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Contract income	246,889	1,452,507	-	-
Jetty service income	305,114	474,017	-	-
Management fees from subsidiary companies	-	-	132,000	132,000
Marketing fees from subsidiary companies	-	-	-	247,069
Rental income	-	35,000	-	-
Sales of goods	25,715,934	25,517,722	-	-
Management fees from company in which a Director has interest	30,000	60,000	-	-
	26,297,937	27,539,246	132,000	379,069

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

24. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been determined after charging/(crediting) amongst other items the following:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Audit fee	60,000	64,900	19,000	20,000
Bad debts written off	-	30,606	-	-
Depreciation	1,678,808	1,686,117	50,112	60,492
Director's remuneration	769,182	656,650	12,950	5,050
Impairment loss on investment in subsidiary company	-	-	1,200,000	-
Loss on disposal of property, plant and equipment	3,641	280,900	-	-
Loss on foreign exchange - realised	-	2,316	-	-
Loss on foreign exchange - unrealised	-	3,300	-	-
Provision for doubtful debts	356,395	-	-	-
Rental of premises paid to companies in which Directors have interest	294,000	294,000	-	-
Rental of premises paid to a Director	72,000	66,000	-	-
Amortisation of goodwill	21,767	18,053	-	-
Interest expenses:				
- term loans	32,131	68,727	-	-
- bank overdrafts	303,446	325,957	550,132	557,529
- bankers' acceptance	512,902	424,736	237,885	123,602
- bills payable	93,906	65,477	-	-
- export credit refinancing	501,568	161,605	501,568	161,065
- revolving credits	144,163	132,680	343,110	470,856
- others	48,734	81,317	17,090	249,374
- hire purchase	47,758	156,226	-	6,550
Interest income from:				
- fixed deposits	(13,413)	(15,605)	-	-
- subsidiary companies	-	-	-	(320,583)
Gain on disposal of property, plant and equipment	(162,951)	(28,034)	-	(17,234)
Gain on foreign exchange - realised	(1,741)	-	-	-
Rental income	(32,560)	(51,914)	-	-
Interest expense reimbursed by subsidiary companies	-	-	(1,649,105)	(1,004,897)

The estimated monetary value of benefits provided to the Directors of the Group during the year amounted to RM48,000 (2002: RM48,050)

Excluded from the interest expense of the Group is an amount of RM1,324,162 (2002: RM1,255,374) being capitalised as development expenditure (Note 12).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

25. TAXATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Provision for current year				
- Malaysian income tax	35,558	37,000	-	-
- Overseas taxation	75,208	54,836	-	-
Under provision in previous year	79,331	137,271	76,000	-
	187,097	229,107	76,000	-
Transfer from deferred taxation (Note 10)	(39,300)	(330,700)	-	-
	147,797	(101,593)	76,000	-

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

A reconciliation of income tax expense on (loss)/profit before taxation with the applicable statutory income tax rate is as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
(Loss)/profit before taxation	(394,290)	191,606	(1,352,536)	(161,901)
Income tax at rate of 28%	(110,401)	53,650	(378,710)	(45,332)
Tax effect in respect of:				
Non-allowable expenses	787,305	62,890	396,309	93,399
Deferred tax assets recognised in the financial statements	(166,268)	-	-	-
Tax savings from utilisation of capital allowances	(134,841)	(229,190)	-	-
Deferred taxation not recognised in the financial statements	(24,915)	(21,494)	-	-
Tax savings from utilisation of tax losses	(264,665)	(139,785)	(17,599)	(48,067)
Deferred tax assets not recognised in the financial statements	41,147	67,669	-	-
Expenses subject to double deduction	(58,896)	(32,604)	-	-
Current year tax expense	68,466	(238,864)	-	-
Under provision in previous year	79,331	137,271	76,000	-
Total tax expense	147,797	(101,593)	76,000	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

25. TAXATION (CONT'D)

Company

The amount and future availability of unabsorbed business losses, unutilised industrial building allowances and reinvestment allowances which can be carried forward to offset against future taxable profit amounted to approximately RM478,000 (2002: RM534,000), RM61,000 (2002: RM61,000) and RM234,000 (2002: RM234,000) respectively.

As at 31 December 2003, the Company has tax exempt income account amounting to RM643,000 (2002: RM643,000) to frank payment of tax exempt dividends and sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profits.

However, the above amounts are subject to the approval by Inland Revenue Board of Malaysia.

26. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/Earnings per Share

Basic (loss)/earnings per share of the Group is based on the net (loss)/profit attributable to shareholders of RM540,344 (2002: RM295,002) and the weighted average number of ordinary shares in issue during the year of 19,849,205 (2002: 19,820,000).

	2003	2002
Net (loss)/profit attributable to shareholders (RM)	(540,344)	295,002
Weighted average number of ordinary shares in issue	19,849,205	19,820,000
Basic (loss)/earnings per share (sen)	(2.7)	1.5

(b) Diluted Earnings per Share

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

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

27. EMPLOYEES INFORMATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
(a) Staff costs	4,571,913	4,046,759	-	-

(b) The number of employees of the Group and of the Company at the end of the year were 152 (2002: 191) and Nil (2002: 2) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

28. COMMITMENTS

	Group	
	2003 RM	2002 RM
Approved and contracted for		
a) Buildings	800,000	800,000
b) Operating lease rental for factory premises		
Due and payable:		
Within 1 year	732,000	732,000
Between 1 and 5 years	732,000	1,464,000
	1,464,000	2,196,000

29. CONTINGENT LIABILITIES AND OBLIGATION

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
(a) Guarantees (unsecured)				
Corporate guarantees given to:				
(i) banks in respect of banking facilities granted to subsidiary companies	-	-	16,851,000	16,300,000
(ii) banks in respect of banking facilities granted to the then subsidiary company	-	1,100,000	-	1,100,000
(iii) a third party in respect of services rendered to subsidiary companies	800,000	800,000	800,000	800,000

(b) Litigation

Group

- (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 France Interdoor Massivholturen GmbH against a subsidiary company, Harvest Court (M) Sdn. Bhd. ("HCM") for the alleged sum of RM3.77 million pertaining to the dispute for goods manufactured and supplied by HCM that were not in accordance with their specifications.

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 (CONT'D)

- 31 DECEMBER 2003

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

Group	2003 RM	2002 RM
Transactions with companies in which Directors have interest		
Rental expenses paid to:		
- Port Klang Jetty Sdn. Bhd.	264,000	264,000
- Wangsa Kinta Sdn. Bhd.	30,000	30,000
Sales to:		
- RGT Enterprise Sdn. Bhd.	208,820	74,203
- Double Bay Sdn. Bhd.	61,009	-
Purchases from Double Bay Sdn. Bhd.	1,779,004	-
Management fees received from Port Klang Jetty Sdn. Bhd.	30,000	60,000
Contract income received from Ng Teck Huat & Sons Sdn. Bhd.	150,000	150,000
	<hr/>	<hr/>

In all the above companies certain of the Directors, Ng Chuan Seng @ Ng Teck Huat, Ng Swee Kiat, Ng Ai Cheng and Ng Swee Keong have substantial interest.

Transactions with a Director

Rental expenses paid to Ng Chuan Seng @ Ng Teck Huat	72,000	66,000
	<hr/>	<hr/>

Company

Transactions with subsidiary companies

Management fees from subsidiary companies	132,000	132,000
Marketing fees from subsidiary companies	-	247,069
Interest income from subsidiary companies	-	320,583
	<hr/>	<hr/>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

31. SEGMENT REPORTING – GROUP

(a) Primary Segmental Reporting - Business Segments

2003	Timber product manufacturing RM	Construction RM	Property development RM	Investment holding and others RM	Eliminations RM	Consolidated RM
Revenue						
External revenue	25,806,823	156,000	305,114	30,000	-	26,297,937
Inter-segment revenue	8,728,095	90,889	-	132,000	(8,950,984)	-
Total segment revenue	34,534,918	246,889	305,114	162,000	(8,950,984)	26,297,937
Results						
Segment profit/ (loss) from operations	1,657,590	76,715	(148,920)	(155,151)	-	1,430,234
Interest income	13,413	-	-	1,649,105	(1,649,105)	13,413
Unallocated corporate expenses						(21,767)
Profit from operations						1,421,880
Finance cost	(1,806,064)	(4,281)	(765)	(1,654,165)	1,649,105	(1,816,170)
Loss before taxation						(394,290)
Taxation						(147,797)
Loss after taxation						(542,087)
Minority interests						1,743
Net loss for the year						(540,344)
Other information						
Segment assets	38,003,141	222,747	23,076,685	639,589		61,942,162
Tax recoverable	14,083	-	4,996	318		19,397
Unallocated corporate assets						432,146
Consolidated total assets						62,393,705
Segment liabilities	18,786,325	75,773	7,541,381	23,320,228		49,723,707
Deferred taxation	610,000	-	-	-		610,000
Tax payables	875,569	-	7,000	235,989		1,118,558
Consolidated total liabilities						51,452,265
Capital expenditure on property, plant and equipment	498,408	-	-	-		498,408
Depreciation	1,614,285	10,559	3,277	50,687		1,678,808

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

31. SEGMENT REPORTING – GROUP (CONT'D)

(a) Primary Segmental Reporting - Business Segments (cont'd)

2002	Timber product manufacturing RM	Construction RM	Property development RM	Investment holding and others RM	Eliminations RM	Consolidated RM
Revenue						
External revenue	26,774,502	195,727	474,017	95,000	-	27,539,246
Inter-segment revenue	9,536,892	1,256,780	-	379,069	(11,172,741)	-
Total segment revenue	36,311,394	1,452,507	474,017	474,069	(11,172,741)	27,539,246
Results						
Segment profit/ (loss) from operations	2,033,932	77,358	(156,236)	(163,309)	-	1,791,745
Interest income	15,605	-	-	1,325,480	(1,325,480)	15,605
Unallocated corporate expenses						(18,053)
Profit from operations						1,789,297
Finance cost	(1,303,992)	(13,772)	(131)	(1,605,276)	1,325,480	(1,597,691)
Profit before taxation						191,606
Taxation						101,593
Profit after taxation						293,199
Minority interests						1,803
Net profit for the year						295,002
Other information						
Segment assets	38,459,445	211,674	21,483,599	611,532		60,766,250
Tax recoverable	14,483	-	-	-		14,483
Unallocated corporate assets						453,913
Consolidated total assets						61,234,646
Segment liabilities	19,636,660	109,195	6,661,047	22,304,126		48,711,028
Tax payables	900,488	-	14,004	190,357		1,104,849
Deferred taxation	649,000	-	-	300		649,300
Consolidated total liabilities						50,465,177
Capital expenditure on property, plant and equipment	3,474,577	-	349,699	-		3,824,276
Depreciation	1,561,871	13,951	3,277	107,018		1,686,117

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

31. SEGMENT REPORTING – GROUP (CONT'D)

(b) Secondary segmental reporting – Geographical segment

	Revenue RM	Segment assets RM	Capital expenditure RM
2003			
Malaysia	20,636,516	58,587,616	422,508
Australia	5,661,421	3,354,546	75,900
	26,297,937	61,942,162	498,408
2002			
Malaysia	21,840,666	57,971,282	3,810,583
Australia	5,698,580	2,794,968	13,693
	27,539,246	60,766,250	3,824,276

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 included items directly attributable to the segments as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest bearing assets, interest bearing loans, goodwill, tax payable, tax recoverable, deferred taxation, long-term loan and corporate expenses.

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 other	Investment in shares and securities and the provision of marketing and management services.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

32. FINANCIAL INSTRUMENTS

(a) Interest rate risk

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

Group	Less than 1 year RM	2 to 5 years RM	More than 5 years RM	Total RM	Effective interest rate during the year %
2003					
<u>Financial assets</u>					
Fixed deposits with a licensed bank	506,011	-	-	506,011	2.6%-3.0%
<u>Financial liabilities</u>					
Bank overdrafts	9,173,961	-	-	9,173,961	7.5%-8.9%
Bankers' acceptance	7,365,223	-	-	7,365,223	4.6%-5.8%
Export credit refinancing	5,268,741	-	-	5,268,741	3.5%
Revolving credits	8,152,018	-	-	8,152,018	7.0%-8.0%
Al-Bai Bithaman Ajil	76,766	376,234	-	453,000	8.0%
Bills payable	4,643,000	-	-	4,643,000	7.1%-7.2%
Term loans	5,878,561	-	-	5,878,561	6.0%-8.9%
Finance payables	304,324	394,191	18,766	717,281	3.6%-6.0%
2002					
<u>Financial assets</u>					
Fixed deposits with a licensed bank	493,016	-	-	493,016	3.2%
<u>Financial liabilities</u>					
Bank overdrafts	9,039,010	-	-	9,039,010	7.9%-8.9%
Bankers' acceptance	10,621,000	-	-	10,621,000	5.5%-6.7%
Export credit refinancing	4,767,173	-	-	4,767,173	3.5%
Revolving credits	8,152,018	-	-	8,152,018	5.5%-7.4%
Bills payable	2,064,448	-	-	2,064,448	10.0%
Term loans	1,537,424	4,085,427	121,951	5,744,802	6.0%-8.9%
Finance payables	446,120	577,963	-	1,024,083	3.0%-7.0%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

32. FINANCIAL INSTRUMENTS (CONT'D)

Company	Less than 1 year RM	2 to 5 years RM	More than 5 years RM	Total RM	Effective interest rate during the year %
2003					
<u>Financial liabilities</u>					
Bank overdrafts	6,378,650	-	-	6,378,650	9.0%
Bankers' acceptance	3,201,223	-	-	3,201,223	4.5%
Revolving credits	5,000,000	-	-	5,000,000	7.0%
Export credit refinancing	5,268,741	-	-	5,268,741	3.5%
2002					
<u>Financial liabilities</u>					
Bank overdrafts	5,974,674	-	-	5,974,674	9.3%
Bankers' acceptance	3,799,000	-	-	3,799,000	5.5%
Revolving credits	5,000,000	-	-	5,000,000	-
Export credit refinancing	4,767,173	-	-	4,767,173	3.5%

(b) Credit risk

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

(c) Fair value

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31 DECEMBER 2003

33. SIGNIFICANT EVENT DURING THE YEAR

On 19 December 2003, the Company had entered into three conditional sale and purchase agreements for the proposed acquisitions of the following:

- (i) The entire issued and paid-up share capital of Rubber Timber (Melaka) Sdn. Bhd. for a total purchase consideration of RM18,000,000;
- (ii) Four parcels of leasehold industrial land for a total purchase consideration of RM6,160,000; and
- (iii) Machinery for a total purchase consideration of RM4,500,000.

Items (i),(ii) and (iii) above are collectively referred to as the "Proposed Acquisitions".

Concurrently with the Proposed Acquisitions, the Company also proposes to undertake the following proposals:-

- (i) A proposed private placement of up to 5,000,000 new ordinary shares of RM1.00 each in Harvest Court Industries Berhad ('HCIB Shares') to investors to be identified;
- (ii) A proposed special issue of up to 5,000,000 HCIB Shares to Bumiputra investors to be identified;
- (iii) Proposed amendments to the By-Laws of the existing ESOS, proposed termination of the existing ESOS and proposed establishment of a new ESOS; and
- (iv) A proposed increase in authorised share capital of HCIB.

The Company is in the process of preparation for submission to the relevant authorities for approvals.

GROUP'S LANDED PROPERTIES

AS AT 31 DECEMBER 2003

Location	Description	Tenure	Area sq. m.	Approximate Age (Years)	Net Book Value	Date of Acquisition	Existing use	
1. Unit B-11-1 Megan Phileo Promenade Section 43 Town of Kuala Lumpur	-Office lot	Freehold	210	7	561,984	1997	Tenanted	
2. Lot 450, 451 & 452 Jalan Papan Pandamaran Industrial Area 42000 Port Klang Selangor Darul Ehsan	-Main Office -4 factory buildings -6 storage yards -1 packing area -Boiler houses & workshop	* Rented	36,000	14 } } } } } } } 7 }		3,798,098	1990	Factory and Office
3. Mukim of Kuala Linggi District of Alor Gajah State of Malacca	-Land held for development	Leasehold 99 years (pending issuance of titles)	141,640	9	12,921,506	1995	Vacant	
4. Geran 55040 Lot 82107 Seksyen 30 Bandar Klang Klang, Selangor Darul Ehsan	-Land held for development	Freehold	10,357	8	9,644,544	1996	Vacant	
5. Lot 10568 Jalan Papan Pandamaran Industrial Area 42000 Port Klang Selangor Darul Ehsan	-KD Plant and warehouse	* Rented	4,181	5	3,096,348	1999	KD Chambers	

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

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MAY 2004

AUTHORIZED SHARE CAPITAL	:	RM25,000,000.00
ISSUED AND FULLY PAID-UP CAPITAL	:	RM21,546,000.00
CLASS OF SHARES	:	ORDINARY SHARES OF RM1.00 EACH
VOTING RIGHTS	:	ONE VOTE PER ORDINARY SHARE
NUMBER OF SHAREHOLDERS	:	2,586

DISTRIBUTION OF SHAREHOLDINGS AS AT 7 MAY 2004

SIZE OF SHAREHOLDINGS	NO. OF SHARE HOLDERS	NO. OF ORDINARY SHARES	%
LESS THAN 100	1	50	0.00
100 TO 1,000	1,247	1,239,700	5.75
1,001 TO 10,000	1,170	4,275,250	19.84
10,001 TO 100,000	154	3,959,100	18.38
100,001 TO LESS THAN 5% OF ISSUED SHARES	13	4,407,700	20.46
5% AND ABOVE OF ISSUED SHARES	1	7,664,200	35.57
TOTAL	2,586	21,546,000	100.00

DIRECTORS' SHAREHOLDINGS AS AT 7 MAY 2004

NO. NAMES	DIRECT		INDIRECT	
	NO. OF SHARES	%	NO. OF SHARES	%
1. NG CHUAN SENG @ NG TECK HUAT	100,000	0.46	9,077,200 *	42.13
2. NG SWEE KIAT	329,000	1.53	8,848,200 *	41.07
3. NG SWEE KEONG	486,000	2.26	8,691,200 *	40.34
4. NG AI CHENG	-	-	9,177,200 *	42.59
5. YET KIONG SIANG	-	-	-	-
6. SUKHINDERJIT SINGH MUKER	10,000	0.05	-	-

LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE) AS AT 7 MAY 2004

NO. NAMES	DIRECT		INDIRECT	
	NO. OF SHARES	%	NO. OF SHARES	%
1. HARVEST COURT HOLDINGS (M) SDN. BHD.	7,664,200	35.57	-	-
2. NG CHUAN SENG @ NG TECK HUAT	100,000	0.46	9,077,200 *	42.13
3. NG SWEE KIAT	329,000	1.53	8,848,200 *	41.07
4. NG SWEE KEONG	486,000	2.26	8,691,200 *	40.34
5. NG AI CHENG	-	-	9,177,200 *	42.59
6. NG SIEW HIANG	2,000	0.01	9,175,200 *	42.58
7. GAN KOK HWA	486,000	2.26	8,691,200 *	40.34
8. YANG PEING NAN	100,000	0.46	9,077,200 *	42.13
9. GAN TIAN HOOI	-	-	9,177,200 *	42.59
10. QUEK ENG PIEW	10,000	0.05	9,167,200 *	42.55
11. HOE GEOK KHENG	-	-	9,177,200 *	42.59

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

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 7 MAY 2004

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 7 MAY 2004

NO. SHAREHOLDER	NO. OF SHARES HELD	%
1 HARVEST COURT HOLDINGS (M) SDN BHD	7,664,200	35.57
2 NG SEONG @ NG CHOOI HONG	929,200	4.31
3 AMSEC NOMINEES (TEMPATAN) SDN BHD - AMFINANCE BERHAD FOR WONG WEI SHAN	653,000	3.03
4 NG SWEE KEONG	486,000	2.26
5 GAN KOK HWA	486,000	2.26
6 NG SWEE KIAT	329,000	1.53
7 TAN CHING CHING	263,900	1.22
8 CIMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TONY YEE KONG MENG (MM0878)	237,600	1.10
9 MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR ONG HUEY PENG (REM 650)	219,200	1.02
10 TAN HAN CHUAN	209,000	0.97
11 AHMAD KAMARUZAMAN BIN MOHAMED BARIA	186,800	0.87
12 YANG SIN TZONG	143,100	0.66
13 HLG NOMINEE (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR YANG SIN TZONG (CCTS)	139,900	0.65
14 HONG LEONG FINANCE BERHAD - PLEDGED SECURITIES ACCOUNT FOR LAI VOON HUEY	125,000	0.58
15 YANG PEING NAN	100,000	0.46
16 OSK NOMINEES (TEMPATAN) SDN BERHAD - PLEDGED SECURITIES ACCOUNT FOR MOHAMED ZAMEEL BIN MOHAMED HUSSAIN	100,000	0.46
17 NG CHUAN SENG @ NG TECK HUAT	100,000	0.46
18 HONG LEONG FINANCE BERHAD - PLEDGED SECURITIES ACCOUNT FOR YEO PENG HUAT	100,000	0.46
19 THEAN YIN KONG	91,000	0.42
20 LOW LEONG HOCK	80,000	0.37
21 MAYBAN NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KUAN SHIN NYIAP (211AW6136)	78,000	0.36
22 LEE TECK ONG @ LEE KOK CHEE	69,300	0.32
23 TAN KAR PIN	65,000	0.30
24 SYED ABDULLAH BIN SYED OMAR	65,000	0.30
25 NG FOONG PAIK	63,000	0.29
26 M.I.T NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHAN CHEE MAY (ZZ333-009)	60,000	0.28
27 LEAU KIM PUN @ LIAU KIM PUN	59,000	0.27
28 KENANGA NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR POH TAW KANG	58,000	0.27
29 LOW YOKE CHOO	57,000	0.26
30 TA NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHEN MEI YEE	55,200	0.26
TOTAL:	13,272,400	61.60



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

No. of ordinary shares held

FORM OF PROXY

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

I/We
(Full name in block letters)

NRIC No./Passport No./Company No.

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 Twenty Sixth Annual General Meeting of the Company to be held at the Meeting Room, Crystal 2 (1st Floor), Crystal Crown Hotel Harbour View, 217, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Monday, 28 June 2004 at 9.30 a.m. and at any adjournment thereof in the manner as indicate below:

RESOLUTION	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		

(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 2004

.....
Signature of shareholder(s)/Common Seal

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

Notes:

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy or attorney may but does not need to be a member and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia.
- 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.
- 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.
- 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.
- Explanatory Notes To Special Businesses
Resolution Pursuant to Section 132D of the Companies Act, 1965
The Ordinary Resolution no.7, 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.

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Affix
Stamp
Here

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

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