



CONTENTS

• NOTICE OF ANNUAL GENERAL MEETING	02
• STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING	05
• CORPORATE INFORMATION	06
• PROFILE OF DIRECTORS	07
• CHAIRMAN'S STATEMENT	10
• STATEMENT OF CORPORATE GOVERNANCE	13
• ADDITIONAL COMPLIANCE INFORMATION	17
• REPORT OF THE AUDIT COMMITTEE	18
• STATEMENT ON INTERNAL CONTROL	20
• FINANCIAL STATEMENTS 2006	21
• LIST OF PROPERTIES OF THE GROUP	67
• ANALYSIS OF SHAREHOLDINGS	68
• ANALYSIS OF WARRANTHOLDINGS	71
• FORM OF PROXY	73





NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh (7th) Annual General Meeting of Harn Len Corporation Bhd ("Harn Len" or "the Company") (502606-H) will be held at Chengal Room, Fourth Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru on Friday, the 15th day of June, 2007 at 11.00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon. *(Resolution 1)*
2. To approve the payment of Directors' fees for the financial year ended 31 December 2006. *(Resolution 2)*
3. To re-elect Mr Low Quek Kiong, a Director retiring in accordance with Article 84 of the Company's Articles of Association. *(Resolution 3)*
4. To re-elect Mr Low Kueck Shin, a Director retiring in accordance with Article 84 of the Company's Articles of Association. *(Resolution 4)*
5. To re-elect Mr Loh Wann Yuan, a Director retiring in accordance with Article 84 of the Company's Articles of Association. *(Resolution 5)*
6. To consider and if thought fit, pass the following resolution: *(Resolution 6)*

"That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Dato' Low Nam Hui who is over 70 years of age be re-appointed as Director of the Company to hold office until the next Annual General Meeting."
7. To re-appoint the retiring Auditors, Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration. *(Resolution 7)*

Special Business :

To consider and, if thought fit, pass with or without modification, the following **Ordinary Resolutions:**

8. AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965. *(Resolution 8)*
("Authority to allot and issue shares")

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares so issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
9. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH SERI CEMERLANG PLANTATION (PAHANG) SDN BHD ("Proposed Shareholders' Mandate I") *(Resolution 9)*

"That, subject always to the Bursa Malaysia Listing Requirements, the Company and/or its subsidiary shall be mandated to enter into the category of recurrent transactions of a revenue or trading nature as specified in Section 2.2 of the Circular dated 23 May 2007 with Seri Cemerlang Plantation (Pahang) Sdn Bhd subject further to the following:-

 - i) the recurrent related party transactions are in the ordinary course of business which are necessary for the day to day operations and are on terms not more favourable than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the shareholders; and
 - ii) disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Bursa Malaysia Listing Requirement and as set out in Section 2.2 of the Circular dated 23 May 2007;
 - iii) that the shareholders' mandate shall continue in force until:-
 - a) the date of the next Annual General Meeting of the Company at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - b) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act 1965; or
 - c) revoked or varied by resolution passed by the shareholders on general meeting;



NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

whichever is the earlier; and

- iv) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

10. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH PENGANGKUTAN LOW NAM HUI SDN BHD ("Proposed Shareholders' Mandate II") (Resolution 9)

"That, subject always to the Bursa Malaysia Listing Requirements, the Company and/or its subsidiary shall be mandated to enter into the category of recurrent transactions of a revenue or trading nature as specified in Section 2.2 of the Circular dated 23 May 2007 with Pengangkutan Low Nam Hui Sdn Bhd subject further to the following:-

- i) the recurrent related party transactions are in the ordinary course of business which are necessary for the day to day operations and are on terms not more favourable than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the shareholders; and
- ii) disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Bursa Malaysia Listing Requirements and as set out in Section 2.2 of the Circular dated 23 May 2007;
- iii) that the shareholders' mandate shall continue in force until:-
 - a) the date of the next Annual General Meeting of the Company at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - b) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act 1965; or
 - c) revoked or varied by resolution passed by the shareholders on general meeting;

whichever is the earlier; and

- iv) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

To consider and, if thought fit, pass with or without modification, the following Special Resolution:

11. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (Resolution 10) ("Proposed Amendments to Articles of Association")

"THAT alterations, modifications, additions or deletions to the Articles of Association of the Company contained in Appendix I be and are hereby approved."

12. To transact any other matter for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of The Board

Woo Min Fong (MAICSA No : 0532413)
Fong Siew Kim (MAICSA No : 7022188)
Company Secretaries

Johor Bahru
23 May 2007



NOTICE OF ANNUAL GENERAL MEETING

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 stead. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same Meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. Where a member is an authorized nominee as defined under the Securities 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.
5. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of its attorney duly authorised.
6. The Proxy Form must be deposited with the Company Secretary at the Registered Office, 6th Floor, Johor Tower, 15, Jalan Gereja, 80100 Johor Bahru, Johor, not less than 48 hours before the time set for the Meeting.

7. **Explanatory Notes on Special Business :**

Resolution 7 - Authority to allot and issue shares

The Ordinary Resolution proposed in Agenda 8 above, if passed, will empower the Directors of the Company from the date of the above meeting until the next Annual General Meeting, unless previously revoked or varied at a general meeting, to issue shares in the Company up to an aggregate number not exceeding ten per centum of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company.

Resolutions 8 & 9 - Proposed Shareholders' Mandate I & II

The Ordinary Resolutions Nos 8 & 9 proposed in Agenda 9 & 10 above, if passed, will renew the mandates for the Company and/or its subsidiaries to enter into the categories of recurrent transactions of a revenue or trading nature with Seri Cemerlang Plantation (Pahang) Sdn Bhd and Pengangkutan Low Nam Hui Sdn Bhd respectively as specified in Section 2.2 of the Circular to Shareholders dated 23 May 2007, which is sent out together with the Company's Annual Report 2006. The mandates shall continue in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company in a general meeting and is subject to renewal.

Resolution 10 - Proposed Amendments to the Articles of Association

The Special Resolution No 10 proposed in Agenda 11 above, if passed, will bring the Articles of Association of the Company in line with the amendments to Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Names of Directors who are standing for re-election and re-appointment

1. Mr. Low Quek Kiong
2. Mr. Low Kueck Shin
3. Mr. Loh Wann Yuan
4. Tan Sri Dato' Low Nam Hui

Details of attendance of Directors at Board Meetings

* Please refer to Statement of Corporate Governance on page 13 of the Annual Report.

Seventh (7th) Annual General Meeting of Harn Len Corporation Bhd

Place : Chengal Room, Fourth Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru

Date and Time : Friday, 15 June 2007 at 11:00 a.m.

Securities holdings in the Company by the directors standing for re-election and re-appointment

The Directors' shareholdings as at 19 April, 2007

No.	Name Of Directors	Direct		Deemed interest in shares	
		No. of shares	%	No. of shares	%
1.	Low Quek Kiong	20,000	0.01	112,880,309 ^{*1}	60.86
2.	Low Kueck Shin	-	-	112,900,309 ^{*2}	60.87
3.	Loh Wann Yuan	1	0.00	-	-
4.	Tan Sri Dato' Low Nam Hui	-	-	53,968,896 ^{*3}	29.10

Note:-

- *1. By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd and LNH Enterprise Sdn Bhd and the shares held by his sibling, Dato' Liew Kuek Hin pursuant to Section 6A of the Companies Act, 1965.
- *2. By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd and LNH Enterprise Sdn Bhd and the shares held by his siblings, Dato' Liew Kuek Hin and Low Quek Kiong pursuant to Section 6A of the Companies Act, 1965.
- *3. By virtue of his interests in LNH Enterprise Sdn Bhd and Yong Yaow Properties Sdn Bhd and the shares held by his children Dato' Liew Kuek Hin and Low Quek Kiong pursuant to Section 6A of the Companies Act, 1965.

Profile of Directors standing for re-election and re-appointment

* Please refer to the section on profile of Directors on pages 7 to 9 of the Annual Report.





☐☐☐ **CORPORATE INFORMATION**



From left to right:

Standing : Law Piang Woon, Low Kwek Lee, Low Kuek Kong, Lee Chon Sing

Sitting : Low Quek Kiong, Brig. Jen. (B) Dato' Ali Bin Hj Musa, Tan Sri Dato' Low Nam Hui, Loh Wann Yuan, Low Kueck Shin

DIRECTORS

Tan Sri Dato' Low Nam Hui (Executive Chairman)
Mr Low Quek Kiong
Mr Low Kueck Shin
Mr Low Kwek Lee
Mr Low Kuek Kong
Mr Lee Chon Sing
Mr Loh Wann Yuan
Brig. Jen. (B) Dato' Ali Bin Hj. Musa
Mr Law Piang Woon

REGISTERED OFFICE / BUSINESS ADDRESS

6th Floor, Johor Tower
15 Jalan Gereja
80100 Johor Bahru
Telephone : 07-2221777
Facsimile : 07-2249213

SECRETARIES

Ms Fong Siew Kim (MAICSA No. 7022188)
Ms Woo Min Fong (MAICSA No. 0532413)

SHARE REGISTRAR

Messrs Chua Woo & Company Sdn Bhd
Suite 1301, 13th Floor
City Plaza, Jalan Tebrau
80300 Johor Bahru
Telephone : 07-3322088
Facsimile : 07-3328096

AUDITORS

Messrs KPMG
Chartered Accountants
Level 14, Menara Ansar
80000 Johor Bahru
Johor, Malaysia.

PRINCIPAL BANKERS

Messrs OCBC Bank (Malaysia) Berhad
Messrs HSBC Bank (Malaysia) Berhad
Messrs Public Bank Berhad

STOCK EXCHANGE

Second Board of Bursa Malaysia Securities Berhad
("Bursa Malaysia")

PROFILE OF DIRECTORS

■ TAN SRI DATO' LOW NAM HUI EXECUTIVE CHAIRMAN, NON-INDEPENDENT

Tan Sri Dato' Low Nam Hui, aged 89, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and was subsequently appointed the Executive Chairman on 1 August 2003. Currently, he is also the Chairman and Managing Director of Low Nam Hui & Sons Group of Companies ("LNHS Group"). An entrepreneur, immediately after the Second World War, he started off as a timber trader and then ventured into transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations, property development and hotel operations.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Tan Sri Dato' Low is the Honorary Adviser to the Johor Bahru Chinese Chamber of Commerce and Industry, Johore Associated Chinese Chamber of Commerce and Industry and The Associated Chinese Chambers of Commerce and Industry of Malaysia.

Tan Sri Dato' Low is the father of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. He is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 27 of the Financial Statements.



■ LOW QUEK KIONG NON-INDEPENDENT, EXECUTIVE

Low Quek Kiong ("Low QK"), aged 55, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and was subsequently appointed the Executive Director on 1 August 2003. He joined his family-owned business which have major interest in logging, transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations, property development and hotel operations after completing his education in the early 1970s and has gained invaluable business experience.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Mr Low QK is the son of Tan Sri Dato' Low and the brother of Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. Mr Low QK is a substantial shareholder of the Company by virtue of his direct and indirect interests in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 27 of the Financial Statements.



■ LOW KUECK SHIN NON-INDEPENDENT, EXECUTIVE

Low Kueck Shin ("Low KS"), aged 50, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low KS obtained his Higher National Diploma in Business Studies from Croydon Technical College, London, England. He has more than 25 years experience in the oil palm plantation business. Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Besides his involvement in Harn Len, Mr Low KS is the Vice President of Johor Bahru Chinese Chamber of Commerce and Industry.



PROFILE OF DIRECTORS

Profile of Directors (cont'd)

Mr Low KS is the son of Tan Sri Dato' Low and the brother of Mr Low Quek Kiong, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. Mr Low KS is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 27 of the Financial Statements.

■ LOW KWEK LEE NON-INDEPENDENT, EXECUTIVE

Low Kwek Lee ("KL Low"), aged 48, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr KL Low obtained his Higher National Diploma in Business Studies from Brighton Technical College, London, England in 1980. He joined his family-owned diversified business with major interests in logging, transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations and hotel operations after completing his education.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Mr KL Low is the son of Tan Sri Dato' Low and the brother of Mr Low Quek Kiong, Mr Low Kueck Shin and Mr Low Kuek Kong who are all directors of the Company. Mr KL Low is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 27 of the Financial Statements.

■ LOW KUEK KONG NON-INDEPENDENT, EXECUTIVE

Low Kuek Kong ("Low KK"), aged 40, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low KK graduated with a Degree in Economics in 1993. Prior to joining his family-owned transportation business in 1996, he was a Production Manager in an electronics firm.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Mr Low KK is the son of Tan Sri Dato' Low and the brother of Mr Low Quek Kiong, Mr Low Kueck Shin and Mr Low Kwek Lee who are all directors of the Company. Mr Low KK is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 27 of the Financial Statements.

■ LEE CHON SING NON-INDEPENDENT, EXECUTIVE

Lee Chon Sing, aged 65, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002 and was subsequently appointed the Group General Manager of Harn Len on 1 August, 2003. He is a member of the Audit Committee and Remuneration Committee. He graduated from Nanyang University, Singapore with a Degree in Economics in 1965. He joined the LNHS Group in 1966 and was the General Manager of LNHS Group until July 2003.

Mr Lee is not related to any director or substantial shareholder of Harn Len. Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia.

Mr Lee does not have any conflict of interest in any business arrangement involving the Company.

PROFILE OF DIRECTORS

Profile of Directors (cont'd)

■ LOH WANN YUAN INDEPENDENT, NON- EXECUTIVE

Loh Wann Yuan, aged 38, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002. He is the Chairman of Audit Committee and Nomination Committee and also sits on the Remuneration Committee.

Mr Loh graduated from University of London with a Bachelor of Law Degree and Masters in Law. He was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1994. He has been in active practice for the past 12 years with experience in conveyancing and corporate laws. He is the Johor Bar Representative to the Bar Council serving also as a Chairman of the Corporate and Commercial Law Committee.

Mr. Loh is a director of Johor Bahru Chinese Chamber of Commerce and Industry serving also as a Chairman of the Commerce Committee.

Mr Loh is not related to any other director or the substantial shareholder of Harn Len. Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia.

Mr Loh does not have any conflict of interest in any business arrangement involving the Company.

■ BRIG. JEN. (B) DATO' ALI BIN HJ MUSA INDEPENDENT, NON-EXECUTIVE

Brig. Jen. (B) Dato' Ali Bin Hj Musa, aged 65, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003. Brig. Jen. (B). Dato' Ali is the Chairman of the Remuneration Committee and also sits on the Nomination Committee.

Brig. Jen. (B) Dato Ali was an officer in the Malaysian Armed Forces until his retirement in July 1997. During his service as Brigadier General he commanded an infantry Brigade in Kelantan with up to 6,000 men and handled materials worth millions of ringgit.

Brig. Jen. (B) Dato' Ali is not related to any director or substantial shareholder of Harn Len. Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He is a director of several private limited companies.

Brig. Jen. (B) Dato Ali does not have any conflict of interest in any business arrangement involving the Company.

■ LAW PIANG WOON INDEPENDENT, NON-EXECUTIVE

Law Piang Woon, aged 66, a Malaysian, was appointed to the Board of Harn Len on 5 August 2003. He is currently a member of the Audit Committee and Nomination Committee. He holds a Bachelor in Commerce (Accountancy) and is currently practicing as a Public Accountant. Apart from his qualification as a Chartered Accountant of Malaysia, he holds various qualifications including Certified Public Accountant (Australia), Certified Public Accountant (Singapore) and Fellow of Taxation Institute, Inc [FTII(M)].

Mr Law is also an Independent Non-Executive Director of White Horse Berhad.

He is not related to any director or substantial shareholder of Harn Len and does not have any conflict of interest in any business arrangement involving the Company.

CONVICTION OF OFFENCE

None of the Directors have been convicted of any offence within the past 10 years other than traffic offences.





CHAIRMAN'S STATEMENT



TAN SRI DATO' LOW NAM HUI
Executive Chairman

Introduction

On behalf of the Board of Directors, I am pleased to present to the shareholders the fourth annual report for Harn Len Corporation Bhd ("Harn Len") and an overview of the performance and results of the Company for the financial year ended 31 December 2006 and an assessment of the prospects for the forthcoming year.

Financial Performance

For the financial year ended 31 December 2006, Harn Len Group recorded a turnover of RM70,902,573 as compared to a turnover of RM64,045,687 for financial year 2005. This represents an increase of approximately 10.70% year on year. As a result, profit before tax increased from RM7,989,482 to RM9,779,835 for financial year 2006. Profit before tax was however enhanced by a gain of RM4,591,127 arising from the disposal of investments in the subsidiary companies.

Profit from operations increased from RM13,323,249 in financial year 2005 to RM14,996,952 in 2006. The main reason for the increase is the recovery in prices of crude palm oil ("CPO") and fresh fruit bunches ("FFB"), higher production and also better control of production costs. In 2006, average CPO prices increased to RM1,510.50 per metric tonne as against RM1,394 in the previous financial year.

The upgrading exercise undertaken for the Company's palm oil mill in 2006 has resulted in a higher capacity to produce CPO but the management is striving to improve output and processing rate even further.

The termination of the management agreement with Value Hospitality Limited for the management of Tropical Inn ("TI") took effect on 31 October 2006. In anticipation of the increase in tourist and business arrivals for Visit Malaysia Year in 2007 and the opening of PERSADA, the convention center which is located in close proximity to TI, the hotel has undergone an upgrading exercise with renovation of rooms on-going.

The Board does not recommend any dividend payment for this financial year.

Prospects

The financial performance of the Group for the forthcoming year will again largely depend on the outlook for the oil palm industry. The Malaysian oil palm industry recorded a much improved performance in 2006 with positive market sentiment buoyed by anticipated demand from the biodiesel industry which was spurred by the unprecedented hike in world crude oil prices. The year has generally seen upward pressure on most commodity prices and CPO will be a beneficiary of this general trend.

Production of CPO in the country increased for the eighth year in succession with production reaching 15.9 million tonnes in 2006 from 15.0 million tonnes from the previous year. This is mainly attributed to an increase in mature areas, a rise in average FFB yield per hectare and better management and agricultural inputs.

Total export volume of oil palm products, constituting CPO, palm kernel oil, palm kernel cake, oleochemicals and finished products increased by 8.1% or 1.51 million tonnes to 20.13 million tonnes in 2006 from 18.62 million tonnes in 2005. In tandem, total export revenue of oil palm products increased

CHAIRMAN'S STATEMENT

Chairman's Statement (cont'd)

by 11.2% or RM3.21 billion to RM31.81 billion compared to RM28.60 billion in 2005 mainly due to the improvement in the price of CPO. After a downward dip in the previous year, average prices of oil palm products saw an improvement in 2006 which may be attributed to positive sentiment, anticipated higher demand from the biodiesel industry, higher soyabean oil prices, a general bullish trend for prices of commodity products and strong global demand. Further, the abolishment of the tariff rate quota effective 1 January 2006 for vegetable oils has had a very significant impact on Malaysian palm oil exports to China. Average CPO prices increased by 8.4% in 2006 to RM1,510 per metric tonne as compared to RM1,394 in 2005. The highest and lowest monthly CPO prices were recorded in December and June respectively at RM1,865 per metric tonne and RM1,397 per metric tonne respectively.

For the year ahead, CPO production is anticipated to see a smaller growth and this is impacted by the recent floods in affected oil palm areas and anticipation of a possible El-Nino weather phenomenon occurring this year. Demand should remain robust with the recent factors such as the abolishment of palm oil import quota by China and the requirement for trans-fat labeling in the United States. These and the increasing worldwide demand for biodiesel in the midst of continued firming of crude oil prices are significant trends that will continue to bolster palm oil prices over the longer term.

Planting of the entire plantable area of 11,055 acres belonging to Masranti Plantation Sdn Bhd has been completed while the planting by Harn Len's joint-venture company with the Sarawak state government is progressing as expected. At present, the Group's oil palm acreage stands at approximately 32,000 acres but is targeted to reach 40,000 acres by the end of 2007.

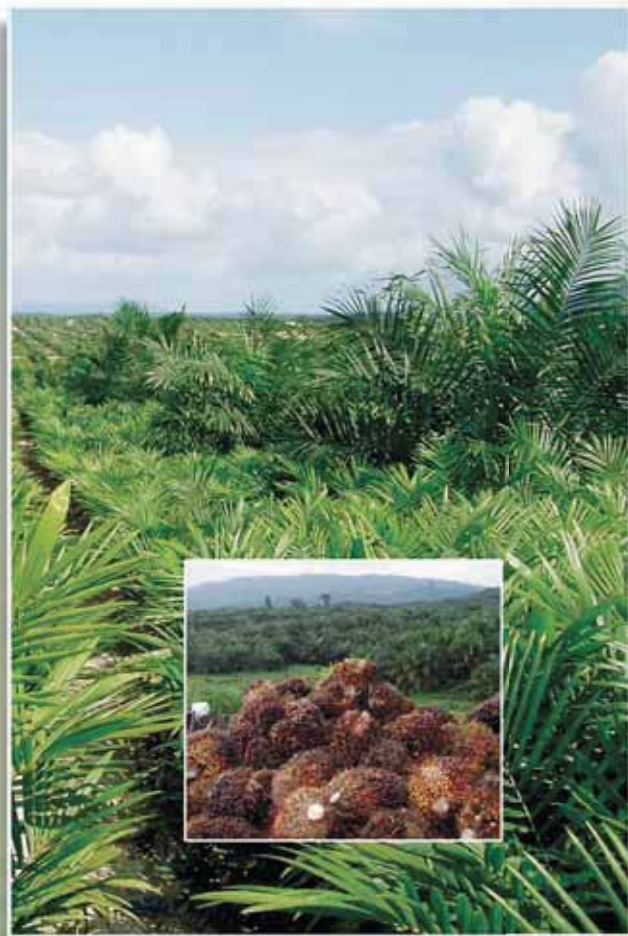
In the hospitality sector, the Board is optimistic of the long-term prospects of its investments. The Iskandar Development Region ("IDR") covering a development area of 2,217 sq km in the state of Johor, an area which is 2.5 times the size of Singapore, is expected to attract total investments of approximately RM47 billion over the next five years. The government is projecting total investments of approximately RM380 billion for the IDR over the next 20 years and this will make the IDR the largest single development to be undertaken in the region.

The Board remains cautiously optimistic about the prospects of Company in the forthcoming financial year with the continued bullish sentiment on CPO prices to be carried from the previous year and improved yields from the Group's maturing plantations. The Board is also optimistic that the hotel operations will return to the black in 2007.

Corporate Developments

Harn Len had on 29 July 2006 completed the disposal of its investment in three subsidiaries, namely Suen Tai (Sabah) Sdn Bhd, Desamawar Runding Sdn Bhd and Pelita Pertama Sdn Bhd for a total sale consideration of RM36,725,172. The sale of these investments allowed Harn Len to realize the appreciated value of the investments and would enable the Company to repay existing borrowings and put the Company in a strong financial position to look at other investment opportunities.

During the year 2006, Harn Len acquired the entire share capital of Nusantara Daya Sdn Bhd ("NDSB") for a cash consideration of RM9,975,955. NSDB is the owner of three parcels of vacant freehold land adjacent to TI. The location of the properties in the heart of Johor Bahru is synergistic with Harn Len's office and hotel businesses and the Company is presently evaluating several development possibilities for the said properties. With the IDR project set to gather pace from this year onwards, the Board is confident of the feasibility of the said investment.



Appreciation

On behalf of the Board of Directors, I would like to extend our gratitude to the management and staff for their continued dedication and commitment to the Company and also our sincere appreciation to our customers, business associates, suppliers, shareholders and the authorities for their continued support. Finally, my thanks and gratitude to my fellow Board members for their invaluable advice and contribution to the Company.

TAN SRI DATO' LOW NAM HUI
 Executive Chairman

23 April 2007



主席献词

简介

本人谨此以愉快的心情，代表汉联机构公众有限公司（“汉联”）董事局向全体股东提呈第四届常年报告书，公司在过去一年截至二零零六年十二月三十一日财政年度表现及成果的回顾以及对未来展望的评估。

财务表现

在截至二零零六年十二月三十一日的财政年度里，汉联集团的营业额达致马币七千零九十万又二千五百七十三令吉，相较于二零零五年财政年度的马币六千四百零四万又五千六百八十七令吉。这代表了年对年近百分之十点七的增长。因此，课税前盈利从马币七百九十八万又九千四百八十二令吉增加至二零零六年财政年度的马币九百七十七万又九千八百三十五令吉。无论如何，课税前盈利的增长乃是包含了从脱售了一些子公司投资的资本盈利共四百五十九万又一千一百二十七令吉。

营运方面的盈利从二零零五年财政年度的马币一千三百三十二万又三千二百四十九令吉至二零零六年的马币一千五百零二万又七千六百八十七令吉。增长的主因包括了原棕油及棕油果价格的复苏、更高的生产量以及更好的生产成本控制。在二零零六年，原棕油平均价格从去年财政年度的每公吨马币一千三百九十四令吉增加至今年马币一千五百一十令吉又五十仙。

公司的榨油厂在二零零六年进行的提升行动已致更高的原棕油产能，而管理层仍努力不懈的把产量及生产率进一步提高。

统一大酒店交予价值礼宾有限公司 (Value Hospitality Limited) 管理的协议经已在二零零六年十月三十一日正式终止。随着二零零七年大马旅游年将增加的游客及商务旅客到访，以及与统一大酒店毗邻的柔佛军帽国际会展中心的开业，酒店已在进行业务的提升行动，同时持续地分阶段进行装修客房。

董事局在本财政年度不会提出任何股息支付的建议。

展望

集团在来年的财务表现，在很大程度上，仍然依赖油棕业的前景。马来西亚油棕业在二零零六年取得极大的进展，这与正面的市场趋势，尤以生物柴油业激起的强势需求息息相关；在这由全世界史无前例原油价格飙升的一年，普遍上看到了对多数商品价格上升的压力，而原棕油将成为这普遍趋势的得益者。

在本国的原棕油连续八年取得增长，并从往年的一千五百万公吨增至一千五百九十万公吨。这主要归功于成熟种植面积的增长，每公吨平均原棕果产量提高、更佳的管理及农业原料改进。

在二零零六年，油棕产品的总出货量（包括原棕油、棕仁油、棕仁糕、化学油脂及制品）共增加了百分之八点一或是一百五十一万公吨至二千零十三万公吨，相较于二零零五年的一千八百六十二万公吨。与此同时，油棕产品的总出口营收增加了百分之十一或是一百三十二亿一千万令吉达到马币三百一十八亿一千万令吉，相较于二零零五年的马币二百八十六亿令吉；这主要是由于原棕油价的增长。在去年的下滑后，油棕产品在二零零六年的平均价格涨高，这可能归功于：正面情绪、生物柴油可预见的更高需求、更高的黄豆油价、一个普遍的原产品价格牛市趋势及全球强劲需求。再加上自二零零六年一月一日生效的食用油关税回打的废除，对大马棕油出口至中国起了非常显著的影响。

在二零零六年，平均原棕油价格增涨了百分之八点四至每公吨马币一千五百一十令吉五十仙，相较于二零零五年的每公吨马币一千三百九十四令吉。年度里原油价格最高及最低成交价分别是在十二月份的每公吨一千八百六十五令吉以及在六月份的每公吨一千三百九十七令吉。

在来临的一年，原棕油产量将可见较小的增长幅度。这是由于近来的水灾已影响了受灾区的油棕园以及可能在今年降临的厄尔尼诺气候现象。需求应会持续强劲，因素包括了：废除了中国棕油进口回扣及美国的转换脂肪标签条例。这些因素及世界性对生物柴油的增长需求，伴随着原油价格的持续稳固，都再再的显现棕油价格将在更长时间内看涨的趋势。

属于金山地种植私人有限公司 (Masranti Plantation Sdn Bhd) 的可耕种面积共一万零六百二十三英亩的种植已全部完成，而由汉联与沙越政府联营公司的种植也依照计划进行中。在现时，集团的油棕种植面积共约有三万二千英亩，而在二零零七年底的目标是达致四万英亩。

在旅游业方面，本董事局对其投资的长远展望是乐观的。柔佛州的伊斯干达发展区涵盖达二千二百一十平方公里的发展面积，相等於新加坡二点五倍的规模，预计在未来五年可吸引近马币四百七十亿零吉的总投资。政府推算整个特区将在未来二十年达到马币三千八百亿零吉的总投资，这将使整个特区成为本区单一最大发展计划。

本董事局持续保持谨慎乐观的看待公司在接下来财政年度的展望，这是由于原棕油价格自过去一年来继续着牛市的情绪，加上集团成熟园丘进一步改善的产量所致。本董事局也乐观的预测酒店的营运将在二零零七年化亏为盈。

企业发展

汉联于二零零六年七月二十九日完成三家子公司的脱售，即：顺泰(沙巴)私人有限公司 (Suen Tai (Sabah) Sdn Bhd)，帝马私人有限公司 (Desamawar Runding Sdn Bhd) 及宝利达首要私人有限公司 (Pelita Pertama Sdn Bhd)，并取得共马币三千六百七十二万又五千一百七十二令吉的脱售款额。脱售这批投资使汉联可将投资增值套现，也使公司能偿还现有的债务以将公司设置于一个强劲的财务状况以寻找其他的投资良机。

于二零零六年九月十九日，汉联以现金马币九百九十九万又三千一百六十令吉代价签署了收购努山达拉达雅私人有限公司 (Nusantara Daya Sdn Bhd) 全部股权的买卖协议书。

此公司为三片毗邻统一大酒店的永久地契空地之业主。这些地段位于新山市心脏地带，与汉联的办公楼及酒店业务将有相辅相成作用，公司目前正评估数项发展这些产业的选择。加上伊斯干达发展区在今年开跑，本董事局对有关投资的可行性是有信心的。

致意

本人谨代表全体董事局成员，对管理层及员工们持续为公司努力不懈付出致以万分谢意；同时也衷心感激我们的客户、商业伙伴、供应商、股东及有关当局的持续支持。最后，我向本董事局的同僚们无价的忠告及贡献致谢。

丹斯里拿督刘南辉局绅
执行主席

日期：二零零七年四月二十三日

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Harn Len is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of Harn Len. To this end, the Board fully supports the recommendations of the Malaysian Code of Corporate Governance ("the Code").

Set out below is a statement of how the Group has applied the principles of the Code. The Board confirms that the Group has complied with the best practices in the Code.

BOARD OF DIRECTORS

Responsibilities

The Board takes full responsibility for the overall performance of the Company including setting out the objectives, strategic direction and evaluation of performance of the Company. Other responsibilities include ensuring good corporate governance, succession planning, public relations and shareholder communication, ensuring sound internal control systems and evaluation of various performance indicators. Where deemed necessary, the Board may set up committees to examine certain key areas. Where a committee is set up, the authority and terms of reference of the committee is clearly spelt out.

Composition and Balance

The Board has a wide range of experience in various fields such as plantations, property, manufacturing, legal and accounting. Representation on the Board is with the view of ensuring the right mix of business experience and technical knowledge.

The Board currently has nine (9) members, comprising six (6) Executive Directors and three (3) Independent Non-Executive Directors. Independent Non-Executive Directors make up one third of the Board. There is a clear division of responsibility between the Chairman and Executive Directors to ensure a balance of power and authority. The Chairman's responsibility is to ensure the effectiveness of the Board and conduct Board meetings, including organising all necessary information on a timely basis for Board deliberations while the Executive Directors are responsible for overall operations and effective implementation of Board decisions and policies. Non-Executive Directors contribute in providing their knowledge and experience towards formulation of the Company's policies and strategies. Representation on the Board is reflective of the extent of shareholdings of various parties in the Company and fairly reflects the investment in the Company.

Supply of Information

The Board is provided with an agenda and set of Board papers prior to Board meetings. This is to ensure that the Board has sufficient opportunity to have queries answered, obtain further explanations if necessary and to be properly briefed before Board meetings. Matters discussed include periodical financial information and operational, corporate and financial issues. Where necessary, qualitative information is made available to the Board in its decision making and evaluations. Directors may obtain independent professional advice where deemed necessary at the Company's expense.

The Board also has full and unrestricted access to the Company Secretary for advice and services in carrying out their duties. Every effort is taken to ensure that the Board is provided with information on significant events in a timely manner, even in the event that there is no Board meeting pending. The Board has full and unrestricted access to any information pertaining to the Group.

The Company Secretary ensures that all appointments are properly made, that all necessary information is obtained from the Directors for the purposes of meeting statutory obligations, requirements of the Listing Requirements or other regulatory requirements.

Attendance

For financial year ended 31 December 2006, the number of board meetings held was six (6) and the attendance of the Directors at the Board meetings is as follows:-

	No. of meetings attended
Tan Sri Dato' Low Nam Hui	6
Low Quek Kiong	6
Low Kueck Shin	6
Low Kwek Lee	6
Low Kuek Kong	6
Lee Chon Sing	5
Loh Wann Yuan	6
Brig. Jen. (B) Dato' Ali bin Haji Musa	6
Law Piang Woon	6





STATEMENT ON CORPORATE GOVERNANCE

Statement on Corporate Governance (cont'd)

Directors' Training

As part of the process of appointment, new Directors are provided with an orientation and familiarisation programme which include briefings by senior management and attendance of the Mandatory Accreditation Programme (MAP) conducted by the Bursa Malaysia Securities Berhad. As at 31 December 2006, all directors have completed the MAP. The Directors are encouraged to attend relevant Continuing Education Programmes (CEP) and seminars to further enhance their skills and knowledge and keep abreast with new regulatory requirements.

For the financial year ended 31 December 2006, the Directors attended an in-house training workshop on risk awareness.

Nomination Committee

The Nomination Committee was set up on 23 May 2003. It presently comprises the following members:-

Loh Wann Yuan (Independent Non-Executive Director)
Brig. Jen. (B) Dato Ali bin Haji Musa (Independent Non-Executive Director)
Law Piang Woon (Independent Non-Executive Director)

The Nomination Committee is composed exclusively of Non-Executive Directors. It is responsible for making recommendations for any new candidates to the Board; to assess candidates for directorship proposed by the Managing Director/CEO or any senior executive, director or shareholder and to recommend directors to fill the seats on Board committees. Ultimate responsibility on appointment of new Directors still lie with the Board notwithstanding recommendations that may be made by the Nomination Committee. The Nomination Committee will also review the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board from time to time and assess the effectiveness of the Board as a whole (including its size), Board committees and the individual contributions of each Director. New appointments to the Board are made to ensure the right mix of experience and expertise to enhance the core competencies of the Board.

Under the Company's Articles of Association, all Directors (including the Managing Director) are required to submit for re-election at least once every three years.

Remuneration Committee

A Remuneration Committee was set up by the Board on 23 May 2003. It presently comprises the following members:-

Brig. Jen. (B) Dato Ali bin Haji Musa (Independent Non-Executive Director)
Loh Wann Yuan (Independent Non-Executive Director)
Lee Chon Sing (Executive Director)

The Remuneration Committee composes mainly of Non-Executive Directors. It is responsible for setting up the policy framework and recommending to the Board the remuneration packages and benefits to be extended to Executive Directors.

The individual Executive Director should play no part in decisions on his/her own remuneration. The remuneration of Non-Executive Directors will be a matter to be decided by the Board as a whole. The individual Non-Executive Director should play no part in deliberations and decisions on his/her own remuneration. Criteria for remuneration is primarily based on experience, performance, qualifications and responsibilities and use of external benchmarks. Directors' fees are determined by the Board with the approval of shareholders at the Company's AGM.

Directors' Remuneration

The aggregate remuneration of the Directors who had served during the financial year ended 31 December 2006 categorized into appropriate components is as follows:-

	Executive Directors	Non-Executive Directors
Salaries and allowances	RM 3,566,080	RM 62,000
Directors' Fees	RM nil	RM135,000
Attendance fees	RM nil	RM 40,000

STATEMENT ON CORPORATE GOVERNANCE

Statement on Corporate Governance (cont'd)

Breakdown of aggregate remuneration for the year of Directors who had served during the financial year ended 31 December 2006 in bands of RM50,000 are as follows:-

Remuneration	No. of Directors	
	Executive	Non-Executive
RM50,000 to RM100,000	-	3
RM250,000 to RM300,000	2	-
RM350,000 to RM400,000	1	-
RM600,000 to RM650,000	2	-
RM1,500,000 to RM1,550,000	1	-

ACCOUNTABILITY AND AUDIT

Financial Reporting

It is the responsibility of the Board, with the assistance of the Audit Committee, to ensure that the presentation of the Company's financial statements are in accordance with the Companies Act 1965 (true and fair view) and the Bursa Malaysia Listing Requirements (i.e. periodic disclosures). The Board ensures that the application of accounting policies and standards are consistent with accepted standards. 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 on page 16.

Relationship with Auditors

Harn Len's external auditors are KPMG. Regular dialogues are held between the Management and Audit Committee with the external auditors to ensure compliance and accuracy in the preparation of the financial statements. Issues and technical matters raised by the auditors are discussed initially with the Audit Committee before being highlighted to the Board at Board meetings.

Audit Committee

The Audit Committee was set up by the Board on 23 May 2003 and presently comprises the following:-

Loh Wann Yuan (Independent Non-Executive Director)
 Law Piang Woon (Independent Non-Executive Director)
 Lee Chon Sing (Executive Director)

The Audit Committee Report is attached as required under Chapter 15 of the Bursa Malaysia Listing Requirements.

Internal Control

A Statement on Internal Control is attached as required under Chapter 15 of the Bursa Malaysia Listing Requirements.

SHAREHOLDERS

Dialogue with Investors

Where required and practical, dialogues are held with research analysts and institutional investors. Information on latest corporate developments affecting the Company are disseminated promptly via the Bursa Malaysia including quarterly financial results and where appropriate, announcement, Circulars and press releases.

Any concerns may be addressed by mail to the following Director:-

Mr Loh Wann Yuan (Independent Non-Executive Director)
 c/o Harn Len Corporation Bhd
 6th Floor, Johor Tower
 15 Jalan Gereja
 80100 Johor Bahru





STATEMENT ON CORPORATE GOVERNANCE

Statement on Corporate Governance (cont'd)

Annual General Meeting

All shareholders are given notice of the AGM through Annual Reports which are sent out at least twenty one (21) days before the date of the AGM. The Notice of the AGM is also published in major newspapers and released through the Bursa Malaysia for public dissemination.

Briefings and shareholders queries are dealt with at the AGM and EGMs. Ample opportunities and time are provided for questions to be asked and issues to be raised. It is also the practice for the Board to hold press conferences with journalists after the AGM.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE ON CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance throughout the Company and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices as set out in the Code.

Statement made in accordance with the resolution of the Board of Directors dated 27 February 2007.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are legally required to prepare financial statements for each financial period/ year which give a true and fair view of the state of affairs of the Company at the end of the financial period/year and of the results of the Company for the financial period/year then ended.

The Directors consider that in preparing the financial statements:-

- i) the Company has used appropriate accounting policies and applied them consistently;
- ii) reasonable and prudent judgements and estimates were made; and
- iii) applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1965 and applicable approved accounting standards.

The Directors are also responsible for the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement made in accordance with the resolution of the Board of Directors dated 27 February 2007.





ADDITIONAL COMPLIANCE INFORMATION

1. Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Company for the financial year ended 31 December, 2006 was RM115,000.

2. American Deposit Receipt ("ADR") or Global Deposit Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

3. Material Contracts

Save as disclosed below, there was no material contract entered into by the Company involving the interest of directors and substantial shareholders of the Company, either subsisting at the end of the financial year or entered into since the end of the previous financial year :

- A Conditional sale and purchase agreement dated 19 September 2006 between Harn Len and Low Nam Hui & Sons Sdn Bhd and Kamari bin Karman for the acquisition of the entire issued and paid-up share capital of Nusantara Daya Sdn Bhd, comprising of 48,320,005 ordinary shares of RM1.00 each, by Harn Len for a cash consideration of RM9,975,995.





REPORT OF THE AUDIT COMMITTEE



Composition

An independent Audit Committee (AC) shall exist to implement and support the functions of the Board. Members of the AC shall elect the Chairman, and all members of the AC including the Chairman shall hold office as long as they serve as Directors of the Company.

The AC shall be appointed from amongst the Director and no alternate Director shall be a member of the AC. The AC shall comprise at least three members but not more than five members, the majority of whom shall be Independent Non-Executive Directors. At least one (1) member of the AC shall be:-

- i) a member of the Malaysian Institute of Accountants (MIA); or
- ii) if not a member of MIA, must have had at least three (3) years working experience, and:-
 - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- iii) fulfils such other requirements as prescribed by the Exchange.*

*Pursuant to Practice Note No.13/2002, the following qualifications have been prescribed to be acceptable:-

- a) a degree/masters/doctorate in accounting or finance and at least three years' post-qualification experience in accounting or finance; or
- b) at least seven years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The Chairman of the AC shall be an Independent Non-Executive Director.

Members of the AC may relinquish their membership with prior written notice to the Secretary of the AC and may continue to serve as Director of the Company. In the event of any vacancy in the AC, the vacancy shall be filled within three (3) months, and the Nomination Committee shall review and recommend for the Board's approval another appropriate Director to fill the vacancy.

Members

The AC was set up on 23 May 2003 and the current members of the AC and their respective designations are:-

- | | |
|--|----------------|
| - Loh Wann Yuan
(Independent Non-Executive Director) | Chairman of AC |
| - Law Piang Woon
(Independent Non-Executive Director) | Member of AC |
| - Lee Chon Sing
(Executive Director) | Member of AC |

Objectives

The primary objective of the AC is to assist the Board of Harn Len in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls, management and financial reporting practices of the Company.

Further, in compliance with the Bursa Malaysia Listing Requirements and the Best Practices recommended in the Malaysian Code on Corporate Governance, it is the objective of the AC to assure the shareholders of the Company that the Directors have complied with specified financial standards and required disclosure policies developed by the Bursa Malaysia and other approved accounting standard bodies.

The AC shall ensure consistency with Bursa Malaysia's commitment to encourage high standards of corporate disclosure and transparency. The AC also endeavours to adopt practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to the Company's shareholders.



REPORT OF THE AUDIT COMMITTEE (Cont'd)

Duties and Responsibilities

The principal duties and responsibilities of the AC shall include:-

- to review the effectiveness of management information and other systems of control within the Company and the Group;
- to review with the external auditors the scope of their audit plan, their evaluation of the system of internal control and the audit reports on the financial statements;
- to review the quarterly and annual financial statements with management and external auditors prior to the approval by the Board;
- to review the scope and recommendations in the internal audit reports and the effectiveness of the internal audit function;
- to carry out in-depth review of major findings on internal investigations and management's response to recommend corrective measures;
- to consider compliance of statutory legislation or guidelines as imposed by the relevant authorities which will include but not limited to that imposed by the Securities Commission, Bursa Malaysia and the Companies Commission of Malaysia;
- to review and report any related party transactions that may arise within the Company;
- to review any significant transactions which are in the normal course of business of the Company;
- to consider external auditors' appointment and remuneration;
- to review and report on areas of conflict of interest; and
- to consider any other topics as may be defined by the Board.

Authority

In conducting its duties and responsibilities, the AC shall be granted the authority to investigate any activity of the Company and/or its subsidiaries and all employees shall be directed to co-operate as requested by the members of the AC. The AC shall have explicit authority to investigate any matter within its terms of reference, to utilize the resources to enable it to do so and have full access to information. The AC may obtain external professional advice and to invite outsiders with the relevant experience to attend if necessary.

Meetings and activities

The AC is to meet not less than four times a year and as many times as the AC deems necessary. The quorum for meetings shall be two members who are Independent Non-Executive Directors. The Secretary to the AC shall be the Company Secretary or her representative.

The Accountant and/or other personnel may be invited to attend the meetings to brief the AC on internal audit reports and any significant control issues/concerns where necessary. Minutes of each meeting shall be kept by the Secretary as evidence that the AC has discharged its functions. The Chairman of the AC will report to the Board after each AC meeting. The approved minutes of AC meetings will be forwarded to Board members for information.

The AC held four (4) meetings during the financial year ended 31 December 2006 with all members of the AC in attendance. The dates of the meetings were 27 February 2006, 23 May 2006, 29 August 2006 and 28 November 2006. During the year under review, the activities of the AC included :-

- Reviewed the unaudited quarterly financial results and announcements of the results prior to the approval of the Board of Directors;
- Reviewed the audit reports with the external auditors;
- Reviewed the internal audit report with the appointed internal auditors;
- Reviewed related party transactions including review procedures;
- Reviewed financial budgets;
- Appraised level of corporate governance;
- Discussed any other matters raised during the meeting.





STATEMENT OF INTERNAL CONTROL



Introduction

The Board is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2006.

Board's Responsibility

The Board recognizes the importance of maintaining a sound system of internal control that covers the financial, operational and compliance controls and risk management practices in the organization to safeguard the Group's assets. The Board acknowledges its responsibility to maintain the Group's system of internal control and for reviewing its adequacy and integrity. However, due to the inherent limitations of any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve the Group's objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Group has engaged an external consultants during the year to review the Risk Management Framework and Risk Management Policy for The Group.

Internal Audit Function

The internal audit function of the Group is outsourced to external consultants who report directly to the Audit committee.

Internal audit reviews the internal controls of the key activities of the Group's businesses based on the detailed annual internal audit plan approved by the Audit Committee.

The internal audit reports include recommended remedial actions are reviewed by the Audit committee. The Committee presents its findings to the Board based on the frequency of internal audit cycles set out in the internal audit plan.

Other Control Processes

The current system of internal control of the Group has within it, the following elements:

- Regular visits to operating units by members of the Board and senior management whenever appropriate.
- An organization structure with clearly defined lines of authority and the appropriate levels of delegation.
- A detailed annual budgeting process for each area of business approved by the Board. Actual performance compared with budget is reviewed quarterly and followed-up by Management on major variances.
- Management Meeting is held regularly to discuss on the Group's operational and management issues.
- Regular reviews to assess the effectiveness of internal control procedures is carried out by an external consulting firm and their findings and recommendations are reported to the Audit Committee.
- All major decisions are subject to review and approval by the Board of Directors. The Board receives regular and appropriate reports covering all major divisions and departments within the Group.
- Policies and procedures are clearly communicated to all staff members via circulars and internal Memorandum.
- Adequate financial and operational information systems are in place to capture and present timely and pertinent internal business information.

Weaknesses in Internal Controls That Result in Material Losses

The Board is not aware of any material losses incurred during the financial year under review as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

FINANCIAL STATEMENTS

• DIRECTORS' REPORT	22
• STATEMENT BY DIRECTORS	26
• STATUTORY DECLARATION	27
• REPORT OF THE AUDITORS	28
• BALANCE SHEETS	29
• INCOME STATEMENTS	30
• CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	31
• STATEMENT OF CHANGES IN EQUITY	32
• CASH FLOW STATEMENTS	33
• NOTES TO THE FINANCIAL STATEMENTS	35



DIRECTORS' REPORT

For the year ended 31 December 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

Principal activities

The principal activities of the Company consist of those relating to the cultivation of oil palm and teak trees, palm oil mill, property investment and investment holding.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results	Group RM	Company RM
Profit for the year	<u>5,489,135</u>	<u>6,746,686</u>

Reserves and provisions

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

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

Directors of the Company

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

Tan Sri Dato' Low Nam Hui
 Mr. Low Quek Kiong
 Mr. Low Kueck Shin
 Mr. Low Kwek Lee
 Mr. Low Kuek Kong
 Mr. Lee Chon Sing
 Mr. Loh Wann Yuan
 Mr. Law Piang Woon
 Brig. Jen. (B) Dato' Ali bin Haji Musa

Directors' interests

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

Name of Directors	Interest	Number of ordinary shares of RM1.00 each			At 31 December 2006
		At 1 January 2006	Bought	Sold	
Company					
Tan Sri Dato' Low Nam Hui	Deemed	54,196,596 ^{*1}	-	(83,000)	54,113,596 ^{*1}
Mr. Low Quek Kiong	Direct	20,000	-	-	20,000
	Deemed	116,108,009 ^{*2}	-	(83,000)	116,025,009 ^{*2}
Mr. Low Kueck Shin	Deemed	116,128,009 ^{*3}	-	(83,000)	116,045,009 ^{*3}
Mr. Low Kwek Lee	Deemed	115,900,309 ^{*4}	-	-	115,900,309 ^{*4}
Mr. Low Kuek Kong	Deemed	115,900,309 ^{*4}	-	-	115,900,309 ^{*4}
Mr. Lee Chon Sing	Direct	50,001	-	-	50,001
Mr. Loh Wann Yuan	Direct	1	-	-	1

DIRECTORS' REPORT (Cont'd)

For the year ended 31 December 2006

Name of Directors	Interest	At 1 January 2006	Number of warrants		At 31 December 2006
			Bought	Sold	
Company					
Mr. Low Quek Kiong	Deemed	47,304,687 ^{*5}	-	(11,586,100)	35,718,587 ^{*5}
Mr. Low Kueck Shin	Deemed	47,304,687 ^{*5}	-	(11,586,100)	35,718,587 ^{*5}
Mr. Low Kwek Lee	Deemed	47,304,687 ^{*5}	-	(11,586,100)	35,718,587 ^{*5}
Mr. Low Kuek Kong	Deemed	47,304,687 ^{*5}	-	(11,586,100)	35,718,587 ^{*5}

*1 By virtue of his interest in LNH Enterprise Sdn. Bhd., Low Nam Hui (C & E) Sdn. Berhad and Yong Yaow Properties Sdn. Bhd. and the direct interests of his children, Mr. Low Quek Kiong and Dato' Liew Kuek Hin pursuant to Section 6A of the Companies Act, 1965.

*2 By virtue of his interest in Lian Hup Manufacturing Company Sdn. Berhad, Syarikat Senang Oil Palm Estate Sdn. Bhd., Perdana Properties Berhad, Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd. and Low Nam Hui (C & E) Sdn. Berhad and the direct interests of his sibling, Dato' Liew Kuek Hin pursuant to Section 6A of the Companies Act, 1965.

*3 By virtue of his interest in Lian Hup Manufacturing Company Sdn. Berhad, Syarikat Senang Oil Palm Estate Sdn. Bhd., Perdana Properties Berhad, Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd. and Low Nam Hui (C & E) Sdn. Berhad and the direct interests of his siblings, Mr. Low Quek Kiong and Dato' Liew Kuek Hin pursuant to Section 6A of the Companies Act, 1965.

*4 By virtue of their interests in Lian Hup Manufacturing Company Sdn. Berhad, Syarikat Senang Oil Palm Estate Sdn. Bhd., Perdana Properties Berhad, Low Nam Hui & Sons Sdn. Bhd. and LNH Enterprise Sdn. Bhd. and the direct interests of their siblings, Mr. Low Quek Kiong and Dato' Liew Kuek Hin pursuant to Section 6A of the Companies Act, 1965.

*5 By virtue of their interests in Perdana Properties Berhad and Low Nam Hui & Sons Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

By virtue of their substantial interests in the shares of the Company, Tan Sri Dato' Low Nam Hui, Mr. Low Quek Kiong, Mr. Low Kueck Shin, Mr. Low Kwek Lee and Mr. Low Kuek Kong are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Harn Len Corporation Bhd has an interest.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with the Company and certain subsidiaries in the ordinary course of business as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object 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 except for warrants granted by the Company as disclosed below.

Issue of shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.





DIRECTORS' REPORT

For the year ended 31 December 2006

Warrants

Pursuant to the Abridged Prospectus dated 18 July 2003, 30,000,000 free detachable warrants were issued to entitled shareholders who subscribed for the Rights Issue of 30,000,000 new Harn Len shares. In addition, 44,310,095 warrants were also issued on 18 July 2003 in conjunction with the issuance of RM44,310,095 nominal value of 1.5% five (5) years RCLS.

The salient features of the warrants as set out in the Deed Poll dated 28 February 2003 are as follows:

- i) Each warrant entitles the registered holder during the exercise period to subscribe for one (1) new Harn Len share at the exercise price of RM1.00 per ordinary share.
- ii) The warrants may be exercised at any time during normal business hours up to 5.00 p.m. from and including 18 July 2003 up to and including the expiry date on 17 July 2008.
- iii) Full provisions regarding the conversion of the warrants to new ordinary shares, which thereafter rank parri passu with the existing ordinary shares of the Company, quotation on Bursa Malaysia Securities Berhad and other terms and conditions pertaining to the warrants are set out in detail in the Deed Poll executed by the Company on 28 February 2003, which is available for inspection at the registered office of the Company.

At the end of the financial year, all the warrants remained unexercised.

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) 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, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except for the gain on disposal of subsidiaries as disclosed in the financial statements, the results of the operations of the Group and of the Company for the year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT (Cont'd)
For the year ended 31 December 2006

Significant events

- a) On 29 July 2006, the Company disposed of its investment in three subsidiaries, namely Suen Tai (Sabah) Sdn. Bhd., Desamawar Runding Sdn. Bhd. and Pelita Pertama Sdn. Bhd. to third parties for a total cash consideration of RM36,725,172.
- b) On 28 November 2006, the Group acquired the entire issued and paid-up capital of Nusantara Daya Sdn. Bhd. for a total cash consideration of RM9,975,955.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Low Quek Kiong
Director

Low Kueck Shin
Director

Johor Bahru,

Date: 17 April 2007





STATEMENT BY DIRECTORS



Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 29 to 66, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Low Quek Kiong
Director

Low Kueck Shin
Director

Johor Bahru,

Date: 17 April 2007



STATUTORY DECLARATION

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Low Quek Kiong**, the Director primarily responsible for the financial management of HARN LEN CORPORATION BHD, do solemnly and sincerely declare that the financial statements set out on pages 29 to 66 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Johor Bahru in the State of Johor on 17 April 2007

Low Quek Kiong

Before me:

R. RAMASAMY
P.I.S.
Commissioner for Oaths
J058





REPORT OF THE AUDITORS TO MEMBERS OF HARN LEN CORPORATION BHD

We have audited the financial statements set out on pages 29 to 66. The preparation of the financial statements is the responsibility of the Company's Directors.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the financial year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that has 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 audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Ang Ah Leck
Partner
Approval Number: 1991/09/07 (J)

Johor Bahru,

Date: 17 April 2007



BALANCE SHEETS

As at 31 December 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Assets					
Property, plant and equipment	3	232,098,964	244,953,169	163,845,510	164,579,750
Biological assets	4	72,950,322	75,057,965	-	-
Investment property	5	10,406,908	-	-	-
Investments in subsidiaries	6	-	-	87,089,097	105,259,940
Goodwill on consolidation	7	7,616,523	12,342,081	-	-
Total non-current assets		<u>323,072,717</u>	<u>332,353,215</u>	<u>250,934,607</u>	<u>269,839,690</u>
Inventories	8	4,129,312	2,661,120	1,575,768	617,512
Trade and other receivables	9	4,448,363	3,389,260	33,035,335	4,893,461
Tax recoverable		-	891,113	-	891,113
Cash and cash equivalents	10	1,952,539	1,088,013	1,363,439	654,350
Total current assets		<u>10,530,214</u>	<u>8,029,506</u>	<u>35,974,542</u>	<u>7,056,436</u>
Total assets		<u>333,602,931</u>	<u>340,382,721</u>	<u>286,909,149</u>	<u>276,896,126</u>
Equity					
Share capital	11	185,477,159	185,477,159	185,477,159	185,477,159
Reserves	11	11,566,063	6,076,928	2,669,329	(4,077,357)
Total equity attributable to shareholders of the Company		<u>197,043,222</u>	<u>191,554,087</u>	<u>188,146,488</u>	<u>181,399,802</u>
Minority interest	12	<u>(66,787)</u>	<u>(37,449)</u>	<u>-</u>	<u>-</u>
Total equity		<u>196,976,435</u>	<u>191,516,638</u>	<u>188,146,488</u>	<u>181,399,802</u>
Liabilities					
Deferred tax liabilities	13	11,131,510	18,548,602	182,464	457,158
Retirement benefits	14	192,000	171,150	192,000	171,150
Loans and borrowings (secured)	15	78,884,928	96,329,200	47,047,802	54,931,782
Total non-current liabilities		<u>90,208,438</u>	<u>115,048,952</u>	<u>47,422,266</u>	<u>55,560,090</u>
Trade and other payables	16	28,052,117	25,849,720	36,251,756	34,510,283
Loans and borrowings (secured)	15	15,998,685	6,700,815	13,884,900	5,425,951
Taxation		2,367,256	1,266,596	1,203,739	-
Total current liabilities		<u>46,418,058</u>	<u>33,817,131</u>	<u>51,340,395</u>	<u>39,936,234</u>
Total liabilities		<u>136,626,496</u>	<u>148,866,083</u>	<u>98,762,661</u>	<u>95,496,324</u>
Total equity and liabilities		<u>333,602,931</u>	<u>340,382,721</u>	<u>286,909,149</u>	<u>276,896,126</u>

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

**INCOME STATEMENTS**
For the year ended 31 December 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	17	70,902,573	64,045,687	54,448,163	45,475,352
Cost of sales		(43,301,617)	(39,238,282)	(33,718,564)	(29,517,449)
Gross profit	17	<u>27,600,956</u>	<u>24,807,405</u>	<u>20,729,599</u>	<u>15,957,903</u>
Other income		4,941,233	3,723,538	6,480,414	3,698,539
Administration expenses		(14,534,908)	(11,924,264)	(10,966,203)	(10,644,132)
Distribution expenses		(2,123,034)	(1,416,974)	(1,608,725)	(1,229,726)
Other expenses		(887,295)	(1,866,456)	(249,147)	(189,000)
Results from operating activities		<u>14,996,952</u>	<u>13,323,249</u>	<u>14,385,938</u>	<u>7,593,584</u>
Finance costs	18	(5,338,037)	(5,381,769)	(4,438,216)	(5,125,550)
Interest income		120,920	48,002	120,920	43,156
Profit before tax	19	<u>9,779,835</u>	<u>7,989,482</u>	<u>10,068,642</u>	<u>2,511,190</u>
Tax expense	20	(4,320,038)	(2,961,063)	(3,321,956)	(840,035)
Profit for the year		<u><u>5,459,797</u></u>	<u><u>5,028,419</u></u>	<u><u>6,746,686</u></u>	<u><u>1,671,155</u></u>
Attributable to:					
Shareholders of the Company		5,489,135	5,065,868	6,746,686	1,671,155
Minority interest		(29,338)	(37,449)	-	-
Profit for the year		<u><u>5,459,797</u></u>	<u><u>5,028,419</u></u>	<u><u>6,746,686</u></u>	<u><u>1,671,155</u></u>
Basic earning per ordinary share (sen)	21	<u><u>3.0</u></u>	<u><u>2.7</u></u>		

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the year ended 31 December 2006

	← Attributable to shareholders of the Company →					Total	Minority interest	Total equity
	← Non-distributable →							
	Share capital	Share premium	RCSLS- Equity component	Capital reserve	Accumulated losses			
	RM	RM	RM	RM	RM	RM	RM	RM
Group								
At 1 January 2005	185,477,159	6,634,854	6,268,000	-	(11,891,794)	186,488,219	-	186,488,219
Redemption of RCSLS	-	-	(6,268,000)	6,268,000	-	-	-	-
Profit for the year	-	-	-	-	5,065,868	5,065,868	(37,449)	5,028,419
At 31 December 2005	185,477,159	6,634,854	-	6,268,000	(6,825,926)	191,554,087	(37,449)	191,516,638
Profit for the year	-	-	-	-	5,489,135	5,489,135	(29,338)	5,459,797
At 31 December 2006	<u>185,477,159</u>	<u>6,634,854</u>	<u>-</u>	<u>6,268,000</u>	<u>(1,336,791)</u>	<u>197,043,222</u>	<u>(66,787)</u>	<u>196,976,435</u>



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

**STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 December 2006

	← Non-distributable →					Total equity RM
	Share capital RM	Share premium RM	RCSLS- Equity component RM	Capital reserve RM	Accumulated losses RM	
Company						
At 1 January 2005	185,477,159	6,634,854	6,268,000	-	(18,651,366)	179,728,647
Redemption of RCSLS	-	-	(6,268,000)	6,268,000	-	-
Profit for the year	-	-	-	-	1,671,155	1,671,155
At 31 December 2005	185,477,159	6,634,854	-	6,268,000	(16,980,211)	181,399,802
Profit for the year	-	-	-	-	6,746,686	6,746,686
At 31 December 2006	185,477,159	6,634,854	-	6,268,000	(10,233,525)	188,146,488

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



CASH FLOW STATEMENTS

For the year ended 31 December 2006

Note	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash flows from operating activities				
Profit before tax	9,779,835	7,989,482	10,068,642	2,511,190
Adjustments for:				
Amortisation of goodwill	-	691,624	-	-
Depreciation and amortisation	6,571,012	5,685,225	4,020,633	3,251,670
Finance costs	5,338,037	5,381,769	4,438,216	5,125,550
Retirement benefits	20,850	41,783	20,850	41,783
Gain on disposal of property, plant and equipment	(182,906)	(24,999)	-	-
Gain on disposal of investment in subsidiaries	(4,591,127)	-	(6,380,649)	-
Gain on early redemption of RCCLS	-	(3,606,441)	-	(3,606,441)
Interest income	(120,920)	(48,002)	(120,920)	(43,156)
Operating profit before changes in working capital	16,814,781	16,110,441	12,046,772	7,280,596
Change in inventories	(1,468,879)	1,126,118	(958,256)	476,945
Change in trade and other receivables	(1,072,880)	(431,147)	(28,141,873)	20,256,282
Change in trade and other payables	(3,169,019)	7,630,289	1,741,473	7,865,050
Cash generated from/(used in) operations	11,104,003	24,435,701	(15,311,884)	35,878,873
Tax paid	(3,289,746)	(5,278,329)	(1,501,798)	(3,160,131)
Net cash from/(used in) operating activities	7,814,257	19,157,372	(16,813,682)	32,718,742

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



CASH FLOW STATEMENTS

For the year ended 31 December 2006 (Cont'd)

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	22	(6,046,546)	(9,775,705)	(3,286,393)	(3,918,780)
- biological assets	23	(9,673,896)	(21,846,574)	-	-
- subsidiaries, net of cash acquired	28	(9,966,344)	-	(9,975,955)	(4)
Proceeds from disposal of:					
- property, plant and equipment		393,100	25,000	-	-
- subsidiaries	28	34,527,435	-	34,527,446	-
Funds from minority interest		-	2	-	-
Investment properties		(106,908)	-	-	-
Interest received		120,920	48,002	120,920	43,156
Increase in pledged deposits placed with licensed banks		(6,210)	(8,051)	(6,210)	(8,051)
Net cash from/(used in) investing activities		<u>9,241,551</u>	<u>(31,557,326)</u>	<u>21,379,808</u>	<u>(3,883,679)</u>
Cash flows from financing activities					
Interest paid		(7,264,054)	(5,456,439)	(4,438,216)	(4,390,348)
Payment of finance lease liabilities		(707,486)	(493,441)	(508,999)	(402,515)
Proceeds from term loan		9,919,418	77,350,000	-	35,000,000
Redemption of RCCLS		-	(37,663,581)	-	(37,663,581)
Repayment of term loan		(25,577,338)	(29,130,000)	(6,348,000)	(29,130,000)
Net cash (used in)/from financing activities		<u>(23,629,460)</u>	<u>4,606,539</u>	<u>(11,295,215)</u>	<u>(36,586,444)</u>
Net decrease in cash and cash equivalents		<u>(6,573,652)</u>	<u>(7,793,415)</u>	<u>(6,729,089)</u>	<u>(7,751,381)</u>
Cash and cash equivalents at 1 January		<u>(2,123,737)</u>	<u>5,669,678</u>	<u>(2,557,400)</u>	<u>5,193,981</u>
Cash and cash equivalents at 31 December		<u>(8,697,389)</u>	<u>(2,123,737)</u>	<u>(9,286,489)</u>	<u>(2,557,400)</u>

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

Cash and bank balances	1,720,501	862,185	1,131,401	428,522
Bank overdraft	(10,417,890)	(2,985,922)	(10,417,890)	(2,985,922)
	<u>(8,697,389)</u>	<u>(2,123,737)</u>	<u>(9,286,489)</u>	<u>(2,557,400)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Harn Len Corporation Bhd is a public limited liability company, incorporated and domiciled in Malaysia and is listed on Second Board of Bursa Malaysia Securities Berhad. The address of its registered office is as follow:

Registered office
6th Floor, Johor Tower
No. 15, Jalan Gereja
80100 Johor Bahru
Johor
Malaysia

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The principal activities of the Company consist of those relating to the cultivation of oil palm and teak trees, palm oil mill, property investment and investment holding. The principal activities of the subsidiaries are disclosed in Note 6.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The MASB has issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

Standard/Interpretation	Effective date
FRS 117, Leases	1 October 2006
FRS 124, Related Party Disclosures	1 October 2006
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
Amendment to FRS 119 ²⁰⁰⁴ , Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007





NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

The Group and the Company plan to apply FRS 117, FRS 124 and the Amendment to FRS 119²⁰⁰⁴ initially for the annual period beginning 1 January 2007 and to apply the rest of the applicable FRSs except for FRS 139 which its effective date has yet to be announced for the annual period beginning 1 January 2008.

The impact of applying FRS 117, FRS 124, FRS 139 and the Amendment to FRS 119²⁰⁰⁴ on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective standards.

FRS 6, IC Interpretation 1, 2, 5, 6, 7 and 8 are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

The effects of adopting the new / revised FRSs in 2006 are set out in Note 30.

The financial statements were approved by the Board of Directors on 17 April 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

The Group and the Company are in net current liabilities of RM35,887,844 and RM15,365,853 respectively as at 31 December 2006. The financial statements of the Group and of the Company continued to be prepared on a going concern basis since it is the intention of the Group and of the Company to continue its operations. The going concern of the Group and of the Company is dependent on the continuous support from the banks, suppliers and plantation contractors.

The Directors are of the view that with the current commodity prices, the Group and the Company will be able to generate sufficient fund to meet its current obligation as and when required.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 7 - valuation of goodwill on consolidation
- Note 13 - recognition of unutilised tax losses and unabsorbed capital allowances

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified or re-presented to conform to the current year's presentation (see Note 31).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

(ii) Minority interests

Minority interests at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iii) Changes in Group composition

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

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

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

(iv) Transactions eliminated on consolidation

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

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

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





NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold land is amortised in equal instalments over the period of the respective leases which range from sixty-six (66) to ninety-seven (97) years while freehold and leasehold buildings are depreciated on a straight line basis over fifty (50) years. Freehold land is not depreciated.

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

Estate buildings	4%
Plant and machinery	10%
Roads and bridges	10%
Motor vehicles, furniture, fittings and equipment	10% - 20%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(c) Biological assets

Biological assets are stated at cost less accumulated amortisation and impairment losses. Biological assets comprise plantation development expenditure.

New planting expenditure incurred on land clearing, upkeep of immature palms/trees and interest incurred during the immature period are capitalised under Plantation Development Expenditure. Upon maturity, all subsequent maintenance expenditure is charged to Income Statement. Oil palm is considered mature 3 years after the month of planting. Teak tree is considered mature 17 years after the month of planting.

Plantation Development Expenditure of oil palm estates will be amortised on a straight line basis over 25 years being the current expected useful lives of oil palm trees. The useful lives of oil palms would be subjected to review in the future and may be adjusted as considered appropriate.

Plantation Development Expenditure of teak trees will be charged to the Income Statement at the time of harvest and sale of trees based on area harvested.

(d) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note b.

Transfers between investment property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

Freehold land is not depreciated.

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(f) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures. For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

Before adoption of FRS 3, goodwill was measured at cost less accumulated amortisation and impairment losses. Goodwill was capitalised and amortised from the date of initial recognition over its estimated useful life of 20 years. Impairment tests on goodwill were performed when there were indications of impairment.

Following the adoption of FRS 3, goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement. The effects of adopting FRS 3 are set out in Note 30.

(g) Impairment of assets

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

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.





NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

(j) Cash and cash equivalents

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

(k) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(l) Affiliated company

An affiliated company is a company in which the Directors of the Company have significant influence or substantial interest.

(m) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(n) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management.

(ii) Services rendered

Revenue from transportation service is recognised upon performance of services. Revenue from the provision of rooms, food and beverage, laundry service fees and other income are recognised when services are rendered.

(iii) Rental income

Income from rental of offices is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental from car park are recognised based on value invoiced to customers.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(p) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the plantation development activities incurred on land clearing and upkeep of immature palms/tree.

The capitalisation of borrowing costs as part of the cost of plantation development expenditure commences when expenditure for the plantation development activity during the unmatured period is being incurred and borrowing costs are being incurred. Capitalisation of borrowing costs is suspended or ceases when the plantation activities necessary to prepare the qualifying asset for its intended use are suspended or upon maturity of palms/trees.

(q) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employee's Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Retirement benefits

The hotel division of the Group made a provision for retirement benefits for eligible employees of the division. The division sets aside provision for retirement benefits based on the basic salary of each eligible employee at the end of each financial year of service over the employees' period of employment.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise warrants.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.





NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. Property, plant and equipment

Group	Land and buildings RM	Road and bridges RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
Cost					
At 1 January 2005	230,528,367	5,269,603	4,629,687	5,349,736	245,777,393
Additions	358,487	4,903,407	3,684,390	1,655,820	10,602,104
Disposal	-	-	-	(76,000)	(76,000)
At 31 December 2005/ 1 January 2006	230,886,854	10,173,010	8,314,077	6,929,556	256,303,497
Additions	48,800	2,422,686	1,744,205	2,670,805	6,886,496
Disposal/Written off	(52,744)	-	-	(376,407)	(429,151)
Disposal of subsidiaries	(12,740,891)	-	-	(582,964)	(13,323,855)
At 31 December 2006	<u>218,142,019</u>	<u>12,595,696</u>	<u>10,058,282</u>	<u>8,640,990</u>	<u>249,436,987</u>
Depreciation					
At 1 January 2005	4,316,686	480,385	257,862	746,208	5,801,141
Depreciation charge	3,353,230	867,126	396,091	1,008,739	5,625,186
Disposal	-	-	-	(75,999)	(75,999)
At 31 December 2005/ 1 January 2006	7,669,916	1,347,511	653,953	1,678,948	11,350,328
Depreciation charge	3,295,001	1,238,795	972,245	1,279,423	6,785,464
Disposal	-	-	-	(218,957)	(218,957)
Disposal of subsidiaries	(347,501)	-	-	(231,311)	(578,812)
At 31 December 2006	<u>10,617,416</u>	<u>2,586,306</u>	<u>1,626,198</u>	<u>2,508,103</u>	<u>17,338,023</u>
Carrying amounts					
At 31 December 2006	<u>207,524,603</u>	<u>10,009,390</u>	<u>8,432,084</u>	<u>6,132,887</u>	<u>232,098,964</u>
At 31 December 2005	<u>223,216,938</u>	<u>8,825,499</u>	<u>7,660,124</u>	<u>5,250,608</u>	<u>244,953,169</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Property, plant and equipment

Company	Land and buildings RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
Cost				
At 1 January 2005	159,000,000	4,629,686	3,364,409	166,994,095
Additions	-	3,678,901	929,879	4,608,780
At 31 December 2005/ 1 January 2006	159,000,000	8,308,587	4,294,288	171,602,875
Additions	22,800	1,733,980	1,529,613	3,286,393
At 31 December 2006	<u>159,022,800</u>	<u>10,042,567</u>	<u>5,823,901</u>	<u>174,889,268</u>
Depreciation				
At 1 January 2005	3,142,110	257,862	371,483	3,771,455
Depreciation charge	2,283,396	395,909	572,365	3,251,670
At 31 December 2005/ 1 January 2006	5,425,506	653,771	943,848	7,023,125
Depreciation charge	2,283,704	970,997	765,932	4,020,633
At 31 December 2006	<u>7,709,210</u>	<u>1,624,768</u>	<u>1,709,780</u>	<u>11,043,758</u>
Carrying amounts				
At 31 December 2006	<u>151,313,590</u>	<u>8,417,799</u>	<u>4,114,121</u>	<u>163,845,510</u>
At 31 December 2005	<u>153,574,494</u>	<u>7,654,816</u>	<u>3,350,440</u>	<u>164,579,750</u>

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Carrying amounts of land and buildings				
Freehold land	20,770,000	20,770,000	20,770,000	20,770,000
Long term leasehold land	140,236,296	154,521,612	85,369,657	86,615,533
Buildings	46,518,307	47,925,326	45,173,933	46,188,961
	<u>207,524,603</u>	<u>223,216,938</u>	<u>151,313,590</u>	<u>153,574,494</u>

Security

Freehold land and building of the Group and of the Company with a net book value of RM63,840,950 (2005: RM64,765,550) is charged to a bank as security for term loans granted to the Company and a subsidiary.

Long term leasehold land of the Group and of the Company with a net book value of RM85,369,657 (2005: RM86,615,533) is charged to a bank as security for term loan facilities granted to the Company and a subsidiary.

Included in the long term leasehold land of the Group and of the Company are oil palm trees which have exceeded twenty-five (25) years and hence no value is placed on the plantation development expenditure.





NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. Property, plant and equipment (Cont'd)

Leased assets

The lease assets secured lease obligation as stated in Note 15.

Included in the property, plant and equipment of the Group and of the Company are motor vehicles acquired under lease financing with a net book value of RM2,510,953 (2005: RM2,722,779) and RM1,369,837 (2005: RM2,031,357) respectively.

Others

Depreciation charge for property, plant and equipment is allocated as follows:

	Group	
	2006 RM	2005 RM
Income statements	5,262,025	4,387,458
Biological assets	1,523,439	1,237,728
	6,785,464	5,625,186

4. Biological assets

Group	Plantation development expenditure - oil palm RM	Plantation development expenditure - teak tree RM	Total RM
Cost			
At 1 January 2005	53,489,079	510,969	54,000,048
Additions	23,705,614	81,120	23,786,734
At 31 December 2005/1 January 2006	77,194,693	592,089	77,786,782
Additions	13,057,682	65,673	13,123,355
Disposal of subsidiaries	(15,279,407)	(68,678)	(15,348,085)
At 31 December 2006	74,972,968	589,084	75,562,052
Amortisation			
At 1 January 2005	1,431,050	-	1,431,050
Amortisation charge	1,297,767	-	1,297,767
At 31 December 2005/1 January 2006	2,728,817	-	2,728,817
Amortisation charge	1,308,987	-	1,308,987
Disposal of subsidiaries	(1,426,074)	-	(1,426,074)
At 31 December 2006	2,611,730	-	2,611,730
Carrying amounts			
At 31 December 2006	72,361,238	589,084	72,950,322
At 31 December 2005	74,465,876	592,089	75,057,965

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Biological assets (Cont'd)

Others

Included in plantation development expenditure of the Group is the following expenses capitalised:

	2006 RM	2005 RM
Finance costs	1,926,020	809,872
Personnel expenses (including key management personnel)		
- Contributions to Employee Provident Fund	25,506	58,727
- Wages, salaries and others	<u>266,078</u>	<u>528,259</u>

One of the subsidiaries' plantation activities are situated on Native Customary Rights Land Development Area in Sarawak. Pursuant to the Joint Venture Agreement dated 3 September 2004, the minority shareholder, Pelita Holdings Sdn. Bhd. will undertake to procure the alienation of the above land by the Sarawak Government to the Company. As at todate, the land is yet to be alienated to the subsidiary.

5. Investment property

	Group	
	2006 RM	2005 RM
At cost		
At date of acquisition	10,300,000	-
Addition	106,908	-
At 31 December	<u>10,406,908</u>	<u>-</u>

The investment properties comprise freehold land stated at Directors' valuation at date of acquisition based on valuations made by professional valuer on 23 August 2006 based on comparison method.

6. Investments in subsidiaries

	Company	
	2006 RM	2005 RM
Unquoted shares, at cost	<u>87,089,097</u>	<u>105,259,940</u>



NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

6. Investments in subsidiaries (Cont'd)

Details of subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of company	Principal activities	Effective	
		ownership 2006 %	interest 2005 %
Uniglobal Sdn. Bhd. *	Cultivation of oil palm and teak trees	100	100
Masranti Plantation Sdn. Bhd.	Cultivation of oil palm and teak trees	99.99	99.99
Premium Dragon Sdn. Bhd.	Investment holding	100	100
Harn Len Pelita Bengunan Sdn. Bhd.	Cultivation of oil palm and teak trees	60	60
Dyna Billion Sdn. Bhd.	Dormant	100	100
Sunshine Zodiac Sdn. Bhd.	Dormant	100	100
Zhangxern Corporation Sdn. Bhd.	Dormant	100	100
Keyrange Corporation Sdn. Bhd.	Dormant	100	100
Pelita Pertama Sdn. Bhd.	Cultivation of oil palm	-	100
Desamawar Runding Sdn. Bhd.	Cultivation of oil palm	-	100
Suen Tai (Sabah) Sdn. Bhd.	Cultivation of oil palm	-	100
Nusantara Daya Sdn. Bhd.	Investment Property	100	-

* The entire issued and paid-up capital of this subsidiary with a cost of RM50,000,002 has been charged to a bank as security to obtain bank overdraft and term loan facilities of the Company and a subsidiary.

7. Goodwill on consolidation

	Group	
	2006 RM	2005 RM
Cost		
At 1 January	13,832,490	13,832,490
Disposal of subsidiaries	(5,250,620)	-
At 31 December	<u>8,581,870</u>	<u>13,832,490</u>
Amortisation		
At 1 January	1,490,409	798,784
Amortisation	-	691,625
Disposal of subsidiaries	(525,062)	-
At 31 December	<u>965,347</u>	<u>1,490,409</u>
Carrying amounts	<u>7,616,523</u>	<u>12,342,081</u>

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. Goodwill on consolidation (Cont'd)

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2006 RM	2005 RM
Masranti Plantation Sdn. Bhd.	5,794,799	5,794,799
Uniglobal Sdn. Bhd.	1,821,724	1,821,724
Other subsidiaries disposed during the year	-	4,725,558
At 31 December	<u>7,616,523</u>	<u>12,342,081</u>

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of these units and was based on the following key assumptions:

- Cash flows were projected based on a 10 years forecast and projections.
- Production yield is projected based on industry growth rate.
- Commodity price is projected based on current market price and remains constant throughout the projected period.
- Expenses were projected at annual increase of approximately 4.5% per annum.
- A pre-tax discount rate of 7.5% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's existing rate of borrowing.

The value assigned to the key assumptions represents management's assessment of future trends in the industry.

Based on the management assessment, the estimated cash flow generated by Masranti Plantation Sdn. Bhd. and Uniglobal Sdn. Bhd. are significantly higher than the carrying amount of the respective goodwill. Management considers that no impairment is required.

8. Inventories

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At cost				
Agricultural produce	1,062,502	356,278	1,062,502	356,278
Consumable and spares	1,290,809	893,218	513,266	261,234
Nursery	1,776,001	1,411,624	-	-
	<u>4,129,312</u>	<u>2,661,120</u>	<u>1,575,768</u>	<u>617,512</u>

9. Trade and other receivables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	2,622,396	2,268,814	959,147	967,042
Other receivables, deposits and prepayments	1,306,796	1,120,446	213,840	194,234
Due from subsidiaries				
- Non-trade	-	-	31,343,177	3,732,185
Due from affiliated companies				
- Non-trade	519,171	-	519,171	-
	<u>4,448,363</u>	<u>3,389,260</u>	<u>33,035,335</u>	<u>4,893,461</u>





NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

9. Trade and other receivables (Cont'd)

The non-trade amounts due from subsidiaries and affiliated companies is in respect of advances made, which are unsecured, interest free and have no fixed terms of repayment.

The Directors have taken action to recover the amount due from affiliated companies subsequent to year end.

10. Cash and cash equivalents

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances	1,720,501	862,185	1,131,401	428,522
Deposits placed with licensed banks	232,038	225,828	232,038	225,828
	<u>1,952,539</u>	<u>1,088,013</u>	<u>1,363,439</u>	<u>654,350</u>

The deposits of the Group and of the Company of RM232,038 (2005: RM225,828) are pledged to licensed banks as security for bank guarantee facilities granted to the Group and the Company.

11. Capital and reserves

Share capital	Group/Company		Group/Company	
	2006 RM	2005 RM	Number of ordinary shares 2006	2005
Ordinary shares of RM1.00 each:				
Authorised	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>

Warrants

The Company issued 30,000,000 free detachable warrants to its shareholders on 18 July 2003 in conjunction with its Rights Issue of 30,000,000 ordinary shares. The warrants were issued on the basis of one (1) warrant for every one (1) ordinary share. The warrants are in registered form and constituted by a Deed Poll and entitled the registered holder to subscribe for one (1) new ordinary share of RM1.00 in the Company at a price of RM1.00 per ordinary share for every warrant held. The conversion ratio is subject to the aforesaid Deed Poll and can be exercised at any time during the five years subscription period expiring on 17 July 2008.

44,310,095 detachable warrants were also issued to Perdana Properties Berhad on 18 July 2003 in conjunction with the issuance of RM44,310,095 nominal value of RM1.00 each 1.5% five (5) year 2003/2008 Redeemable Convertible Secured Loan Stocks.

At the end of the financial year, all the warrants remained unexercised.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. Capital and reserves (Cont'd)

Reserves

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Accumulated losses	(1,336,791)	(6,825,926)	(10,233,525)	(16,980,211)
Non-distributable				
Share premium	6,634,854	6,634,854	6,634,854	6,634,854
Capital reserves	6,268,000	6,268,000	6,268,000	6,268,000
	<u>11,566,063</u>	<u>6,076,928</u>	<u>2,669,329</u>	<u>(4,077,357)</u>

12. Minority shareholders' interest

Group

The losses applicable to the minority in a subsidiary exceeded the minority interest in the equity of that subsidiary. The Directors of the Company are of the opinion that this deficit is temporary as it is the intention of the subsidiary to progressively increase the paid-up capital to RM24,000,000 and the minority shareholders will subscribe for the 40% of the increased paid-up capital i.e. RM9,600,000 in accordance with the joint venture agreement dated 3 September 2004 (see Note 4).

13. Deferred tax liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Property, plant and equipment				
- capital allowances	2,640,000	4,228,039	773,000	995,641
- fair value adjustment	9,081,502	14,875,784	-	-
Unabsorbed capital allowances	(521,456)	(478,740)	(522,000)	(462,002)
Provision	(68,536)	(76,481)	(68,536)	(76,481)
	<u>11,131,510</u>	<u>18,548,602</u>	<u>182,464</u>	<u>457,158</u>

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

13. Deferred tax liabilities (Cont'd)

Movement in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

Group	At 1 January 2006 RM	Disposed of subsidiaries (Note 28) RM	Charged/ (Credited) to income statements RM	Acquired in business combination (Note 28) RM	At 31 December 2006 RM
Deferred tax liabilities					
Property, plant and equipment	19,103,823	(6,710,264)	(978,460)	306,403	11,721,502
Deferred tax assets					
Unabsorbed capital allowances	(478,740)	-	(42,716)	-	(521,456)
Provision	(76,481)	-	7,945	-	(68,536)
Total	(555,221)	-	(34,771)	-	(589,992)

Company**Deferred tax liabilities**

Property, plant and equipment	995,641	-	(222,641)	-	773,000
----------------------------------	---------	---	-----------	---	---------

Deferred tax assets

Unabsorbed capital allowance	(462,002)	-	(59,998)	-	(522,000)
Provision	(76,481)	-	7,945	-	(68,536)
Total	(538,483)	-	(52,053)	-	(590,536)

Group	At 1 January 2005 RM	Charged/ (Credited) to income statements RM	Capitalised to plantation development expenditure RM	Equity RM	At 31 December 2005 RM
Deferred tax liabilities					
Property, plant and equipment	18,870,558	340,705	(107,440)	-	19,103,823
RCCLS - Equity component	1,536,699	-	-	(1,536,699)	-
Total	20,407,257	340,705	(107,440)	(1,536,699)	19,103,823
Deferred tax assets					
Unabsorbed capital allowances	(385,704)	(93,036)	-	-	(478,740)
Unutilised tax losses	(203,411)	203,411	-	-	-
Provision	(64,103)	(12,378)	-	-	(76,481)
Total	(653,218)	97,997	-	-	(555,221)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. Deferred tax liabilities (Cont'd)

Company	At 1 January 2005 RM	Charged/ (Credited) to income statements RM	Capitalised to plantation development expenditure RM	Equity RM	At 31 December 2005 RM
Deferred tax liabilities					
Property, plant and equipment	353,659	641,982	-	-	995,641
RCSLS - Equity component	1,536,699	-	-	(1,536,699)	-
Total	<u>1,890,358</u>	<u>641,982</u>	<u>-</u>	<u>(1,536,699)</u>	<u>995,641</u>
Deferred tax assets					
Unabsorbed capital allowance	(299,704)	(162,298)	-	-	(462,002)
Provision	(64,103)	(12,378)	-	-	(76,481)
Total	<u>(363,807)</u>	<u>(174,676)</u>	<u>-</u>	<u>-</u>	<u>(538,483)</u>

In recognising the deferred tax assets attributable to unabsorbed capital allowance carry-forwards the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unabsorbed capital allowance carry-forwards amounting to approximately RM1,933,000 will not be available to the Company, resulting in an increase in net deferred tax liabilities of RM522,000.

Unrecognised deferred tax assets

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

	Group	
	2006 RM'000	2005 RM'000
Property, plant and equipment - capital allowances	41,588	29,234
Unutilised tax losses	(44,090)	(11,311)
Unabsorbed capital allowances	(19,350)	(30,330)
	<u>(21,852)</u>	<u>(12,407)</u>

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits there from.

The above unutilised tax losses carry-forwards and unabsorbed capital allowances carry-forwards will not be available to certain subsidiaries if there is a substantial change in shareholders (more than 50%).

**NOTES TO THE FINANCIAL STATEMENTS**
(Cont'd)**14. Retirement benefits**

As at 31 December 2006, the hotel retirement benefit accruing to the hotel employees is RM1,090,272 (2005: RM1,011,105). The Company has entered into an arrangement with Tropical Inn Sdn. Bhd. ("TISB"), the previous hotel owner that any retirement benefit accruing to the hotel employees from the date of employment until 31 July 2003 will be borne by TISB. Thus, the portion prior to 31 July 2003 amounting to RM898,272 (2005: RM839,955) was not recognised in the financial statements.

15. Loans and borrowings (secured)

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate risk, see Note 29.

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-current				
Finance lease liabilities	1,354,523	1,390,200	748,802	1,192,782
Term loans	77,530,405	94,939,000	46,299,000	53,739,000
	78,884,928	96,329,200	47,047,802	54,931,782
Current				
Finance lease liabilities	749,120	633,893	444,010	509,029
Term loans	4,831,675	3,081,000	3,023,000	1,931,000
Bank overdraft	10,417,890	2,985,922	10,417,890	2,985,922
	15,998,685	6,700,815	13,884,900	5,425,951
	<u>94,883,613</u>	<u>103,030,015</u>	<u>60,932,702</u>	<u>60,357,733</u>

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2006			2005		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Group						
Less than one year	854,709	105,589	749,120	720,789	86,896	633,893
Between one and five years	1,550,488	195,965	1,354,523	1,584,180	193,980	1,390,200
	<u>2,405,197</u>	<u>301,554</u>	<u>2,103,643</u>	<u>2,304,969</u>	<u>280,876</u>	<u>2,024,093</u>
Company						
Less than one year	506,715	62,705	444,010	578,367	69,338	509,029
Between one and five years	852,316	103,514	748,802	1,359,023	166,241	1,192,782
	<u>1,359,031</u>	<u>166,219</u>	<u>1,192,812</u>	<u>1,937,390</u>	<u>235,579</u>	<u>1,701,811</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. Loans and borrowings (secured) (Cont'd)

Security

The term loans are secured by fixed charges over the freehold land and building of the Company, long term leasehold land and buildings of the Company and certain subsidiaries, the entire issued and paid-up capital of a subsidiary and negative pledge over all the present and future assets of a subsidiary.

Significant covenants

- The Group, Company and subsidiaries are required to maintain various gearing ratio (ranging from 0.5 times to 2.0 times) during the tenure of credit facilities.
- Certain securities provided to secure the term loans must be free from encumbrances with unexpired lease of at least 30 years (if not freehold).
- The disbursement of loans must meet specific purposes as stated in the letter of offer.
- One of the term loans amounting to RM10,000,000 is to be fully drawdown within 15 months from the date of first drawdown failing which any remaining unutilised portion will be cancelled.
- The Company shall not without bank prior written consent, incur or assume additional indebtedness or guarantee any indebtedness except in the ordinary course of business, alter the present ownership structure and extend loans and advances to the Directors of the Company.
- The properties shall be valued by a professional valuer at least once every two years or such times as may be decided by the banks.

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2006						
Bank overdraft	-	10,418	10,418	-	-	-
Finance lease liabilities	2006 - 2011	2,104	749	655	700	-
Secured term loans	2013 - 2015	82,362	4,832	6,808	39,390	31,332
		<u>94,884</u>	<u>15,999</u>	<u>7,463</u>	<u>40,090</u>	<u>31,332</u>
2005						
Bank overdraft	-	2,986	2,986	-	-	-
Finance lease liabilities	2006 - 2011	2,024	634	557	833	-
Secured term loans	2013 - 2015	98,020	3,081	5,913	35,577	53,449
		<u>103,030</u>	<u>6,701</u>	<u>6,470</u>	<u>36,410</u>	<u>53,449</u>



NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

15. Loans and borrowings (secured) (Cont'd)

Company	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2006						
Bank overdraft	-	10,418	10,418	-	-	-
Finance lease liabilities	2007 - 2010	1,193	444	386	363	-
Secured term loans	2013 - 2015	49,322	3,023	3,788	24,850	17,661
		<u>60,933</u>	<u>13,885</u>	<u>4,174</u>	<u>25,213</u>	<u>17,661</u>
2005						
Bank overdraft	-	2,986	2,986	-	-	-
Finance lease liabilities	2006 - 2010	1,702	509	444	749	-
Secured term loans	2013 - 2015	55,670	1,931	3,024	19,598	31,117
		<u>60,358</u>	<u>5,426</u>	<u>3,468</u>	<u>20,347</u>	<u>31,117</u>

16. Trade and other payables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	7,474,186	6,471,322	4,622,949	4,817,313
Other payables and accrued expenses	20,113,597	17,321,074	8,518,179	2,760,993
Due to subsidiaries				
- Non-trade	-	-	22,650,294	24,878,661
Due to affiliated companies				
- Trade	394,025	1,961,272	394,025	1,961,272
- Non-trade	4,000	29,743	-	25,735
	398,025	1,991,015	394,025	1,987,007
Due to a Director	66,309	66,309	66,309	66,309
	<u>28,052,117</u>	<u>25,849,720</u>	<u>36,251,756</u>	<u>34,510,283</u>

The non-trade amounts due to subsidiaries and affiliated companies are in respect of advances or payment on behalf, which are unsecured, interest free and have no fixed terms of repayment.

Included in other payables and accrued expenses of the Group is an amount of RM10,014,228 (2005: RM11,544,984) owing to a contractor for plantation development in certain subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17. Revenue/Gross profit

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Revenue				
- Plantations	64,126,198	57,662,235	47,673,198	39,091,900
- Property and hotel	6,776,375	6,383,452	6,774,965	6,383,452
	<u>70,902,573</u>	<u>64,045,687</u>	<u>54,448,163</u>	<u>45,475,352</u>
Cost of sales of agricultural produces	35,683,521	31,810,047	26,100,468	22,089,214
Cost of services	7,618,096	7,428,235	7,618,096	7,428,235
	<u>43,301,617</u>	<u>39,238,282</u>	<u>33,718,564</u>	<u>29,517,449</u>
Gross profit	<u>27,600,956</u>	<u>24,807,405</u>	<u>20,729,599</u>	<u>15,957,903</u>

18. Finance costs

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Term loan interest	6,403,264	5,130,143	3,640,424	4,233,393
Redeemable Convertible Secured Loan Stocks				
- interest	-	163,887	-	163,887
- discount	-	571,315	-	571,315
Others	860,793	326,296	797,792	156,955
	<u>7,264,057</u>	<u>6,191,641</u>	<u>4,438,216</u>	<u>5,125,550</u>
Less: Finance cost capitalised	<u>(1,926,020)</u>	<u>(809,872)</u>	-	-
	<u>5,338,037</u>	<u>5,381,769</u>	<u>4,438,216</u>	<u>5,125,550</u>

19. Profit before tax

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before tax is arrived at after charging/(crediting)				
Amortisation of goodwill	-	691,625	-	-
Audit fees				
- Current year	122,000	90,000	50,000	50,000
- Underprovision in prior year	11,000	7,500	-	-
Bad debts written off	14,251	29,344	14,251	29,344
Depreciation and amortisation	6,571,012	5,685,225	4,020,633	3,251,670
Directors' remuneration:				
- Fees	135,000	180,000	135,000	180,000
- Emoluments	3,448,000	3,433,600	2,312,750	3,433,600
- Contributions to Employees' Provident Fund	220,080	220,080	145,410	220,080



**NOTES TO THE FINANCIAL STATEMENTS**
(Cont'd)**19. Profit before tax (Cont'd)**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Personnel expenses (excluding Executive Directors):				
- Contributions to Employees' Provident Fund	705,083	628,085	627,589	599,884
- Wages, salaries and others	7,621,419	6,174,866	6,470,927	5,510,530
Rental of premises	19,800	19,201	12,000	12,000
Retirement benefits	20,850	41,783	20,850	41,783
(Reversal of)/Allowance for doubtful debts	(38,699)	55,833	(38,699)	55,833
Gain on disposal of:				
- Property, plant and equipment	(182,906)	(24,999)	-	-
- Subsidiaries	(4,591,127)	-	(6,380,649)	-
Gain on early redemption of RCSLS	-	(3,606,441)	-	(3,606,441)
	<u>-</u>	<u>(3,606,441)</u>	<u>-</u>	<u>(3,606,441)</u>

The estimated monetary value of benefits-in-kind receivable by the Directors of the Group/Company is RM136,360 (2005: RM84,912).

Staff costs and Employees' Provident Fund are allocated as follows:

	Group	
	2006 RM	2005 RM
Staff costs (including Directors' remuneration)		
- income statements	11,204,419	9,788,466
- plantation development expenditure	266,078	528,259
	<u>11,470,497</u>	<u>10,316,725</u>
Employees' Provident Fund		
- income statements	925,163	848,165
- plantation development expenditure	25,506	58,727
	<u>950,669</u>	<u>906,892</u>

20. Tax expense

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax expense				
- Current year	5,044,288	2,832,150	3,300,000	620,000
- Under/(Over)provision in prior year	288,981	(149,821)	296,650	(87,303)
	5,333,269	2,682,329	3,596,650	532,697
Deferred tax (income)/expense				
- Origination and reversal of temporary differences	(725,012)	333,996	(22,760)	301,955
- (Over)/Underprovision in prior year	(288,219)	(55,262)	(251,934)	5,383
	<u>(1,013,231)</u>	<u>278,734</u>	<u>(274,694)</u>	<u>307,338</u>
	<u>4,320,038</u>	<u>2,961,063</u>	<u>3,321,956</u>	<u>840,035</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20. Tax expense (Cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Reconciliation of effective tax expense				
Profit before tax	9,780	7,989	10,069	2,511
Tax calculated using Malaysian tax rate	2,738	2,237	2,819	703
Non deductible expenses	3,560	2,080	2,543	1,370
Non taxable income	(1,286)	-	(1,786)	-
Reversal of deferred tax on recognition of interest on RCSLS discount	-	(160)	-	(160)
Utilisation of reinvestment allowance	(292)	(991)	(292)	(991)
Effect of changes in tax rate*	(401)	-	(7)	-
	4,319	3,166	3,277	922
Under/(Over)provision in prior year	1	(205)	45	(82)
Tax expense	4,320	2,961	3,322	840

* With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2007 also announced the reduction of corporate tax rate to 26% in 2008. Consequently deferred tax assets and liabilities are measured using these tax rates.

21. Earning per ordinary share

Group

Basic earning per share

The calculation of basic earning per share is based on the net profit attributable to ordinary shareholders of RM5,489,135 (2005: RM5,065,868) and the weighted average number of ordinary shares outstanding during the year of 185,477,159 (2005: 185,477,159).

Diluted earning per share

No disclosure is made for diluted earnings per share as it is anti-dilutive.

22. Acquisition of property, plant and equipment

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current year's acquisition of plant and equipment	6,886,496	10,602,104	3,286,393	4,608,780
Less: Acquisition by lease financing	(839,950)	(826,399)	-	(690,000)
	6,046,546	9,775,705	3,286,393	3,918,780



NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

23. Acquisition of biological assets

	Group	
	2006 RM	2005 RM
Current year's acquisition of biological assets	13,123,355	23,786,734
Less:		
- Expenses capitalised		
- Depreciation	(1,523,439)	(1,237,728)
- Finance cost	(1,926,020)	(809,872)
- Crystallisation of deferred tax on revaluation surplus on capitalised in plantation development expenditure	-	107,440
	<u>9,673,896</u>	<u>21,846,574</u>

24. Segment reporting

Group

Segment information is presented in respect of the Group's business. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Plantation	The cultivation of oil palm and palm oil milling
Property and hotel	Property investment and hotel business

Geographical segments

Geographical segment is not presented as the Group's customers and assets are principally operating in Malaysia.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Segment reporting (Cont'd)

Group	Plantations		Property and hotel		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Business segments						
Revenue from external customers	64,126,198	57,662,235	6,776,375	6,383,452	70,902,573	64,045,687
Segment result/Operating profit/(loss)						
Unallocated expenses	20,331,968	19,559,197	(1,214,413)	(1,735,328)	19,117,555	17,823,869
Finance costs					(4,120,603)	(4,500,620)
Interest income					(5,338,037)	(5,381,769)
Profit before tax					120,920	48,002
Tax expense					9,779,835	7,989,482
Profit after tax					(4,320,038)	(2,961,063)
Minority interests					5,459,797	5,028,419
Profit for the year					29,338	37,449
					5,489,135	5,065,868
Segment assets/Total assets						
Unallocated assets	252,487,459	270,723,037	77,554,094	67,012,087	330,041,553	337,735,124
					3,561,378	2,647,597
Segment liabilities/Total liabilities						
Unallocated liabilities	94,731,948	79,889,146	1,487,380	35,978,152	333,602,931	340,382,721
Capital expenditure					96,219,328	115,867,298
Depreciation and amortisation	15,099,971	32,284,187	1,460,421	164,491	40,407,168	32,998,785
Non-cash expenses other than depreciation and amortisation	5,457,915	5,329,512	1,113,097	1,047,337	136,626,496	148,866,083
					16,560,392	32,448,678
					6,571,012	6,376,849
					20,850	41,783
					20,850	41,783



**NOTES TO THE FINANCIAL STATEMENTS**
(Cont'd)**25. Commitments**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Capital commitment				
Property, plant and equipment				
Contracted but not provided for	1,140,700	255,000	552,700	173,000
Other commitment				
Investments				
Contracted but not provided for	14,400,000	14,400,000	-	-
	<u>15,540,700</u>	<u>14,655,000</u>	<u>552,700</u>	<u>173,000</u>

The estimated amount of plantation development expenditure not contracted and not provided for in the financial statement of the Group amounted to RM29,446,000 (2005: RM38,263,000).

26. Contingent liabilities (unsecured)

	Company	
	2006 RM'000	2005 RM'000
Corporate guarantees given to financial institution in respect of outstanding banking facilities of subsidiaries	<u>34,470</u>	<u>43,088</u>

27. Related parties

Controlling related party relationships are as follows:

- i) Subsidiaries as disclosed in Note 6.

Significant related party transactions of the Group and of the Company other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Affiliated companies				
Low Nam Hui & Sons Sdn. Bhd.				
- Rental of premises	12,000	12,000	12,000	12,000
- Management fees receivable	36,000	36,000	36,000	36,000
- Acquisition of subsidiary	<u>9,975,955</u>	<u>-</u>	<u>9,975,955</u>	<u>-</u>
Pengangkutan Low Nam Hui Sdn. Bhd.				
- Transport charges payable	1,368,107	1,052,972	1,365,107	1,052,972
- Purchases	380,297	241,307	380,297	241,307
- Sales	<u>308,872</u>	<u>263,488</u>	<u>308,872</u>	<u>263,488</u>
Seri Cemerlang Plantation (Pahang) Sdn. Bhd.				
- Purchases	15,035,686	10,208,640	15,035,686	10,208,640
- Transport income receivable	<u>489,610</u>	<u>572,595</u>	<u>489,610</u>	<u>572,595</u>
Sara-HL Plantation Sdn. Bhd.				
- Purchase of motor vehicle	<u>-</u>	<u>62,000</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27. Related parties (Cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Comet Travels Sdn. Bhd.				
- Rental receivable	17,364	15,488	17,364	15,488
- Air tickets	113,023	117,903	113,023	117,903
Remuneration paid to staff who are close family member of certain Directors, Tan Sri Dato' Low Nam Hui, Mr. Low Quek Kiong, Mr. Low Kueck Shin, Mr. Low Kwek Lee and Mr. Low Kuek Kong	<u>499,699</u>	<u>357,000</u>	<u>499,699</u>	<u>357,000</u>

Balances with affiliated companies at balance sheet date are disclosed in Note 9 and Note 16 respectively.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

28. Changes in composition of the Group

a) Acquisition of subsidiary

On 28 November 2006, the Group acquired the entire issued and paid-up capital of Nusantara Daya Sdn. Bhd. for a total cash consideration of RM9,975,955. The principal activities of the Company consist of investment property. The loss incurred by the subsidiary from 28 November 2006 to 31 December 2006 is RM30,635. If the acquisition had occurred on 1 January 2006, management estimates that consolidated loss for the year would have been RM34,537, excluding the fair value adjustment of RM7,598,639 and reversal of deferred tax due to change in tax rate of RM1,409,453.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date.

	Recognised value on acquisition RM
Investment property	10,300,000
Cash and cash equivalents	9,611
Payables	(12,728)
Due to holding company	(11,887)
Taxation	(2,638)
Deferred tax liabilities	<u>(306,403)</u>
Net identifiable assets and liabilities/cash consideration paid	9,975,955
Cash acquired	<u>(9,611)</u>
Net cash outflow	<u>9,966,344</u>

The values of assets and liabilities recognised on acquisition are based on their estimated fair values.



NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

28. Changes in composition of the Group (Cont'd)

b) Disposal of subsidiaries

On 29 July 2006, the Company disposed of its investment in three subsidiaries, namely Suen Tai (Sabah) Sdn. Bhd. ("STSB"), Desamawar Runding Sdn. Bhd. ("DRSB") and Pelita Pertama Sdn. Bhd. ("PPSB"). The effects of the disposal of three subsidiaries are:

	Disposals of STSB, DRSB and PPSB RM
Property, plant and equipment	26,667,054
Intangibles	4,725,558
Current assets	5,660,456
Current liabilities	(406,485)
Deferred taxation	(6,710,264)
Net assets disposed	<u>29,936,319</u>
Gain from disposal of subsidiaries	4,591,127
Net disposal price settled by cash	<u>34,527,446</u>
Less: Cash of disposed subsidiaries	(11)
Net cash flow from disposal of subsidiaries	<u>34,527,435</u>

The total disposal price was RM36,725,172. The net disposal price of RM34,527,446 was arrived at after deducting Real Property Gains Tax of RM1,836,260 and liabilities of disposed subsidiaries of RM361,466.

The disposal of STSB, DRSB and PPSB resulted in a consolidated gain of RM4,591,127.

The three subsidiaries incurred a total loss after tax of RM108,320 up to the date of disposal on 29 July 2006.

29. Financial instruments

Financial risk management objectives and policies

Exposure to credit, currency, interest and liquidity risk arises in the normal course of the Group's and the Company's business. The Group's and the Company's policies for managing the risks are summarised below:

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets.

Foreign currency risk

The Group and the Company are not exposed to any foreign currency risk as there is no transactions entered into or borrowings that is denominated in foreign currency at balance sheet date.

Interest rate risk

The Group's and Company's primary interest rate risk is related to interest-earning deposits placed with licensed banks and term loan. There is no formal hedging policy with respect to interest rate exposure.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29. Financial instruments (Cont'd)

Effective interest rate and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

Group	Average effective interest rate %	Total RM'000	Within 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	More than 5 years RM'000
Fixed rate instruments								
Fixed deposits with licensed banks	3.00	232	232	-	-	-	-	-
Secured								
Term loans	6.45	(17,011)	(687)	(894)	(1,885)	(2,520)	(2,520)	(8,505)
Finance lease liabilities	2.60 - 4.25	(2,104)	(749)	(655)	(441)	(220)	(39)	-
		(18,883)	(1,204)	(1,549)	(2,326)	(2,740)	(2,559)	(8,505)
Floating rate instruments								
Secured								
Term loans	7.15 - 7.50	(65,351)	(65,351)	-	-	-	-	-
Bank overdrafts	8.00 - 8.25	(10,418)	(10,418)	-	-	-	-	-
		(75,769)	(75,769)	-	-	-	-	-
2005								
Fixed rate instruments								
Fixed deposits with licensed banks	3.00	226	226	-	-	-	-	-
Secured								
Term loans	6.45	(27,360)	(478)	(1,768)	(2,044)	(3,112)	(3,827)	(16,131)
Finance lease liabilities	2.60 - 4.25	(2,024)	(634)	(557)	(427)	(264)	(142)	-
		(29,158)	(886)	(2,325)	(2,471)	(3,376)	(3,969)	(16,131)
Floating rate instruments								
Secured								
Term loans	7.15 - 7.25	(70,660)	(70,660)	-	-	-	-	-
Bank overdrafts	8.00 - 8.25	(2,986)	(2,986)	-	-	-	-	-
		(73,646)	(73,646)	-	-	-	-	-





NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

29. Financial instruments (Cont'd)

Effective interest rate and repricing analysis

Company 2006	Average effective interest rate %	Total RM'000	Within 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	More than 5 years RM'000
Fixed rate instruments								
Fixed deposits with licensed banks	3.00	232	232	-	-	-	-	-
Secured								
Term loans	6.45	(17,011)	(687)	(894)	(1,885)	(2,520)	(2,520)	(8,505)
Finance lease liabilities	2.60 - 4.25	(1,193)	(444)	(386)	(236)	(127)	-	-
		(17,972)	(899)	(1,280)	(2,121)	(2,647)	(2,520)	(8,505)
Floating rate instruments								
Secured								
Term loans	7.15 - 7.50	(32,311)	(32,311)	-	-	-	-	-
Bank overdrafts	8.00 - 8.25	(10,418)	(10,418)	-	-	-	-	-
		(42,729)	(42,729)	-	-	-	-	-
2005								
Fixed rate instruments								
Fixed deposits with licensed banks	3.00	226	226	-	-	-	-	-
Secured								
Term loans	6.45	(17,360)	(349)	(687)	(894)	(1,885)	(2,520)	(11,025)
Finance lease liabilities	2.60 - 4.25	(1,702)	(509)	(444)	(386)	(236)	(127)	-
		(18,836)	(632)	(1,131)	(1,280)	(2,121)	(2,647)	(11,025)
Floating rate instruments								
Secured								
Term loans	7.15 - 7.25	(38,310)	(38,310)	-	-	-	-	-
Bank overdrafts	8.00 - 8.25	(2,986)	(2,986)	-	-	-	-	-
		(41,296)	(41,296)	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29. Financial instruments (Cont'd)

Liquidity risk

The Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows. (see Note 1(b)).

Fair values

Recognised financial instruments

The carrying amounts of financial assets and liabilities approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial assets and liabilities carried on the balance sheet at 31 December are shown below:

	← 2006 →		← 2005 →	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial liabilities				
Retirement benefits	192,000	192,000	171,150	171,150
Fixed rate term loan	17,011,000	16,173,478	27,360,000	26,388,000
Finance lease liabilities	2,103,643	2,237,685	2,024,093	2,126,437
	<u>19,306,643</u>	<u>18,603,163</u>	<u>29,555,243</u>	<u>28,685,587</u>
Company				
Financial liabilities				
Retirement benefits	192,000	192,000	171,150	171,150
Fixed rate term loan	17,011,000	16,173,478	17,360,000	16,769,000
Finance lease liabilities	1,192,813	1,268,007	1,701,711	1,783,930
	<u>18,395,813</u>	<u>17,633,485</u>	<u>19,232,861</u>	<u>18,724,080</u>

Estimation of fair values

The fair values financial instruments listed above, have been determined by discounting the relevant cash flows using current effective interest rates for similar instruments at the balance sheet date.

The carrying amount of the variable term loan, being floating rate term loans, would approximate its fair values as its effective interest rate changes accordingly to movements in the market interest rate.





NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

30. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The effect of the adoption of FRS 3 Business Combinations, FRS 136 Impairment of Assets, FRS 138 Intangible Assets and FRS 101, Presentation of Financial Statements are summarised as follows:-

FRS 3 Business Combinations, FRS 136 Impairment of Assets, FRS 138 Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. This has resulted in the cessation of amortisation of goodwill with effect from 1 January 2006.

Had there not been a change in accounting policy, the net profit attributable to shareholders for the financial year ended 31 December 2006 would reduce by RM582,240.

This change in accounting policy has resulted in increase in basic earnings per share by 0.3 sen.

FRS101, Presentation of Financial Statements - Biological Assets

Plantation development expenditure ("PDE") previously classified under property, plant and equipment is now presented separately as "Biological Assets" on the face of the balance sheet. Comparatives have been restated.

The change in accounting policy does not have impact on earnings per share.

FRS101, Presentation of Financial Statements - Minority interests

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2006, in order to comply with FRS 101 and FRS 127, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

The change in accounting policy does not have impact on earnings per share.

31. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 30 and to conform with the presentation requirements of FRS 101.

	Group	
	As restated RM	As previously stated RM
Balance sheets		
Property, plant and equipment	244,953,169	320,011,134
Biological assets	<u>75,057,965</u>	<u>-</u>



LIST OF PROPERTIES OF THE GROUP

Registered owner/ Location	Tenure	Area	Year of Expiry (For leasehold)	Description/ Existing Use	Net Book Value (RM'000)	Age of Building (years)	Date of Acquisition
1. Harn Len							
i) Lot 1782, Geran 27393 Township & District of Johor Bahru, Johor Darul Takzim	Freehold	40,293 sq. ft	N/A	Office & hotel building	63,841	29	18.07.2003
ii) Lian Hup Estate - Lot PT 166, 259 - Lot PT 313 - Lot PT 345 - Lot PT 510, 521, 522 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur	Leasehold	2,124.46 Hectares ("ha")	2070 2072 2074 2079	Oil Palm Plantation & Palm oil mill	41,947	N/A	18.07.2003
Estate Building					1,692	30	
iii) Senang Estate - Lot PT 163, 164, 165, 255 - Lot PT 314 - Lot PT 448, 449, 450, 451 - Lot PT 515 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur	Leasehold	2,116.31 ("ha")	2070 2072 2078 2079	Oil Palm Plantation	43,423	N/A	18.07.2003
Estate Building					412	29	
2. Uniglobal Sdn Bhd							
Uniglobal Estate - CL 115345401 - CL 115378115 District of Lahad Datu, Sabah	Leasehold	2,023 ha 386.80 ha	2077 2084	Oil palm Plantation	30,833	N/A	18.07.2003
Estate Building					798	9	
3. Masranti Plantation Sdn Bhd							
Lot No 35, TRN.: 708-LCPLS-024-000-00035 Punda-Sabal Land District of Samarahan Division Sarawak	Leasehold	4,474 ha	2061	Oil palm Plantation	24,033	N/A	15.01.2004
Estate Building					546	3	
4. Nusantara Daya Sdn Bhd							
- Lot 21473, Geran 27641 - Lot 21472, Geran 24609 - Lot 3898, Geran 95664 All in the Township and District of Johor Bahru	Freehold	55,592.15 sq. ft	N/A	Vacant Land	10,407	N/A	28.11.2006
					<u>217,932</u>		

N/A - Not Applicable





ANALYSIS OF SHAREHOLDINGS

As At 19 APRIL 2007

AUTHORISED SHARE CAPITAL	: RM500,000,000 ordinary shares of RM1-00 each
ISSUED AND FULLY PAID-UP CAPITAL	: RM185,477,159 divided into 185,477,159 shares
CLASS OF SHARES	: Ordinary shares of RM1-00 each
NO OF SHAREHOLDERS	: 4,084
VOTING RIGHTS	: One vote per ordinary share

A) LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Directors	Direct		Deemed interest in shares	
		No of shares	%	No of shares	%
1.	Tan Sri Dato' Low Nam Hui	-	-	53,968,896 ^{*1}	29.10
2.	Puan Sri Datin Chan Pui Leorn	-	-	118,900,309 ^{*2}	64.11
3.	Dato' Liew Kuek Hin	140,000	0.08	108,973,058 ^{*3}	58.75
4.	Low Quek Kiong	20,000	0.01	112,880,309 ^{*4}	60.86
5.	Low Kueck Shin	-	-	112,900,309 ^{*5}	60.87
6.	Low Kwek Lee	-	-	112,900,309 ^{*5}	60.87
7.	Low Kuek Kong	-	-	112,900,309 ^{*5}	60.87
8.	Low Kuit Son	-	-	112,900,309 ^{*5}	60.87
9.	Low Kok Yong	-	-	112,900,309 ^{*5}	60.87
10.	Low Kok Yaow	-	-	112,900,309 ^{*5}	60.87
11.	LNH (C&E) Sdn Bhd	-	-	64,931,413 ^{*6}	35.00
12.	Low Nam Hui & Sons Sdn Bhd	1,628,992	0.88	63,302,421 ^{*7}	34.13
13.	Lian Hup Manufacturing Company Sdn Berhad	30,513,830	16.45	-	-
14.	Syarikat Senang Oil Palm Estate Sdn Bhd	30,513,830	16.45	-	-
15.	LNH Enterprise Sdn Bhd	47,808,896	25.78	-	-

Note:-

- *1 By virtue of his interests in LNH Enterprise Sdn Bhd and Yong Yaow Properties Sdn Bhd and the shares held by his children, Dato' Liew Kuek Hin and Low Quek Kiong pursuant to Section 6A of the Companies Act, 1965.
- *2 By virtue of her interests in LNH Enterprise Sdn Bhd, Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd and Yong Yaow Properties Sdn Bhd and the shares held by her children, Dato' Liew Kuek Hin and Low Quek Kiong pursuant to Section 6A of the Companies Act, 1965.
- *3 By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd and LNH Enterprise Sdn Bhd and the shares held by his sibling, Low Quek Kiong pursuant to Section 6A of the Companies Act, 1965. The status of some of Dato' Liew's indirect shareholdings in Harn Len are the subject of a legal action vide Johor Bahru High Court Suit No. MT4-22-843-2005.
- *4 By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and the shares held by his sibling, Dato' Liew Kuek Hin pursuant to Section 6A of the Companies Act, 1965.
- *5 By virtue of their interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and the shares held by their siblings, Dato' Liew Kuek Hin and Low Quek Kiong pursuant to Section 6A of the Companies Act, 1965.
- *6 By virtue of its interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad and Low Nam Hui & Sons Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- *7 By virtue of its interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd and Perdana Properties Berhad pursuant to Section 6A of the Companies Act, 1965.

ANALYSIS OF SHAREHOLDINGS (Cont'd)

As At 19 APRIL 2007

B) LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct		Deemed interest in shares	
		No of shares	%	No of shares	%
1.	Tan Sri Dato' Low Nam Hui	-	-	53,968,896 *1	29.10
2.	Low Quek Kiong	20,000	0.01	112,880,309 *2	60.86
3.	Low Kueck Shin	-	-	112,900,309 *3	60.87
4.	Low Kwek Lee	-	-	112,900,309 *3	60.87
5.	Low Kuek Kong	-	-	112,900,309 *3	60.87
6.	Loh Wann Yuan	1	0.00	-	-
7.	Lee Chon Sing	50,001	0.03	-	-
8.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
9.	Law Piang Woon	-	-	-	-

Note:-

- *1 By virtue of his interests in LNH Enterprise Sdn Bhd and Yong Yaow Properties Sdn Bhd and the shares held by his children, Dato' Liew Kuek Hin and Low Quek Kiong pursuant to Section 6A of the Companies Act, 1965.
- *2 By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and the shares held by his sibling, Dato' Liew Kuek Hin pursuant to Section 6A of the Companies Act, 1965.
- *3 By virtue of their interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and the shares held by their siblings, Dato' Liew Kuek Hin and Low Quek Kiong pursuant to Section 6A of the Companies Act, 1965.

C) DISTRIBUTION OF SHAREHOLDINGS

No. of Holders	Holdings	Total Holdings	Percentage (%)
33	Less than 100	717	0.0004
1,389	100 to 1,000	419,257	0.2260
1,942	1,001 to 10,000	9,743,751	5.2534
654	10,001 to 100,000	20,673,082	11.1459
61	100,001 to less than 5% of issued shares	27,592,835	14.8767
5	5% and above of issued shares	127,047,517	68.4976
Total:		185,477,159	100.0000



**ANALYSIS OF SHAREHOLDINGS (Cont'd)**

As At 19 APRIL 2007

D) TOP 30 LARGEST SHAREHOLDERS

No.	Name	No. Of Shares Held	Percentage (%)
1.	LNH ENTERPRISE SDN BHD	43,146,838	23.2626
2.	LIAN HUP MANUFACTURING COMPANY SDN. BERHAD	22,844,859	12.3168
3.	SYARIKAT SENANG OIL PALM ESTATE SDN. BHD.	22,844,859	12.3168
4.	AMANAH RAYA BERHAD	20,000,000	10.7830
5.	ABB NOMINEE (TEMPATAN) SDN BHD - Pledged securities account for Sportma Corporation Berhad	18,210,961	9.8184
6.	YONG YAOW PROPERTIES SDN BHD	6,000,000	3.2349
7.	ALLIANCE BANK MALAYSIA BERHAD	2,414,137	1.3016
8.	PERDANA PROPERTIES BERHAD	2,274,761	1.2264
9.	LOW NAM HUI & SONS SDN BHD	1,628,992	0.8783
10.	BDO CAPITAL CONSULTANTS SDN BHD	1,349,193	0.7274
11.	TA NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Chor Sek Choon	1,000,000	0.5391
12.	AMMB NOMINEES (TEMPATAN) SDN BHD - Aminvestment Bank Berhad	807,022	0.4351
13.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB Bank for Ho Nai Lok	700,000	0.3774
14.	YEO TIOW TIONG HOLDINGS SENDIRIAN BERHAD	600,000	0.3235
15.	STANDARD CHARTERED BANK MALAYSIA BERHAD	522,384	0.2816
16.	MAYBAN SECURITIES NOMINEES (ASING) SDN BHD - OCBC Securities Private Limited for Ng Teck Hoe	500,000	0.2696
17.	YAP QWEE BENG	478,900	0.2582
18.	AMSEC NOMINEES (TEMPATAN) SDN BHD - AmBank (M) Berhad	474,782	0.2560
19.	YEO LAI HUAT	400,000	0.2157
20.	TEN THYE KIAN	400,000	0.2157
21.	CHIN HON PUN	365,200	0.1969
22.	LOH LAI KIM	362,800	0.1956
23.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Ng Ching Soong	288,100	0.1553
24.	CITIGROUP NOMINEES (ASING) SDN BHD - CBNY for DFA Emerging Markets Small Cap Series	273,000	0.1472
25.	AMSEC NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Ng Ching Soong	262,000	0.1413
26.	YAT YEE TONG	251,200	0.1354
27.	GALLANT INDUSTRIES (M) SDN. BHD.	248,378	0.1339
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Ng Peng Hon	245,300	0.1323
29.	CHOW KHENG KIT	240,000	0.1294
30.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Lu Lip Lai	235,000	0.1267



ANALYSIS OF WARRANTHOLDINGS

As At 19 APRIL 2007

VOTING RIGHTS	: One (1) Vote Per Warrant (In the meeting of Warrantheolders)
NUMBER OF WARRANTS ISSUED	: 74,310,095
NUMBER OF HOLDERS	: 1,798

A) Distribution of Warrantheoldings

	No. of Holders	Holdings	Total Holdings	Percentage (%)
	22	Less than 100	1,064	0.0014
	60	100 to 1,000	35,490	0.0478
	860	1,001 to 10,000	5,340,884	7.1873
	758	10,001 to 100,000	30,506,096	41.0524
	97	100,001 to less than 5% of issued warrants	32,950,729	44.3422
	1	5% and above of issued warrants	5,475,832	7.3689
Total:	<u>1,798</u>		<u>74,310,095</u>	<u>100.0000</u>

B) List of 30 Largest Warrantheolders

No.	Name	No. of Warrants Held	Percentage (%)
1.	ABB NOMINEE (TEMPATAN) SDN BHD - Pledged securities account for Sportma Corporation Berhad	5,475,832	7.3689
2.	CIMSEC NOMINEES (ASING) SDN BHD - Exempt an for CIMB-GK Securities Pte Ltd (Retail clients)	2,100,000	2.8260
3.	HDM NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Lim Gim Leong	2,100,000	2.8260
4.	NG MING LI	1,497,000	2.0145
5.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Dr Chieng Kok Tung	1,200,000	1.6149
6.	OSK NOMINEES (TEMPATAN) SDN BHD -Pledged securities account for Hee Yuen Sang	1,150,000	1.5476
7.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Looi Lee Yee	1,000,000	1.3457
8.	CHEE KIM WAH	1,000,000	1.3457
9.	CHIENG LIENG SING	875,000	1.1775
10.	KONG CHOON BEE	870,000	1.1708
11.	TA NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Ong Ah Ho @ Ong Yoke Hong	800,000	1.0766
12.	FONG KIAH YEOW	600,000	0.8074
13.	AFFIN NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Lee Hing Tak	600,000	0.8074
14.	IRENE WOOD	600,000	0.8074
15.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Chong Ah Kaim	570,000	0.7671
16.	YEE KWOK YIM	500,000	0.6729
17.	CHONG YONG HAN	500,000	0.6729
18.	PEK PENG HUEE	500,000	0.6729
19.	WONG THEAN JEE	500,000	0.6729
20.	SATKUNARAJAH A/L RAJENDRA	450,000	0.6056
21.	BDO CAPITAL CONSULTANTS SDN BHD	443,329	0.5966



**ANALYSIS OF WARRANTHOLDINGS (Cont'd)**

As At 19 APRIL 2007

B) List of 30 Largest Warranholders

No.	Name	No. of Warrants Held	Percentage (%)
22.	LO PING	400,000	0.5383
23.	TAN MENG HOOI	375,200	0.5049
24.	CHIN POH LING	330,000	0.4441
25.	GOH KHIR CHAYE	305,000	0.4104
26.	NG LAI YIN	300,000	0.4037
27.	LIM KIEW @ CHOW AH KIW	300,000	0.4037
28.	CHIN YOCK FOOY	300,000	0.4037
29.	SUWIKSHA TRADING SDN. BHD.	300,000	0.4037
30.	LIM GUAT SEE	289,000	0.3889

C) Statement Of Directors' Interests In The Company**WARRANTS 2003/2008**

Directors	Warrants 2003/2008			
	Direct Interest		Deemed Interest	
	No. of warrants	%	No. of warrants	%
Tan Sri Dato' Low Nam Hui	-	-	-	-
Low Quek Kiong	-	-	10,287 *1	0.014
Low Kueck Shin	-	-	10,287 *1	0.014
Low Kwek Lee	-	-	10,287 *1	0.014
Low Kuek Kong	-	-	10,287 *1	0.014
Loh Wann Yuan	-	-	-	-
Lee Chon Sing	-	-	-	-
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
Law Piang Woon	-	-	-	-

Note:-

*1 By virtue of their interests in Perdana Properties Berhad and Low Nam Hui & Sons Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.



FORM OF PROXY

I/We _____ [NRIC No : _____] of _____ being a member/ members of **HARN LEN CORPORATION BHD** (Co. No. 502606-H) do hereby appoint _____ [NRIC NO: _____] of _____ or failing him _____ [NRIC NO: _____] of _____ as * my/our proxy to attend and to vote for * me/us on * my/our behalf at the Seventh Annual General Meeting of the Company to be held on Friday, the 15th day of June, 2007 at 11:00 a.m. at Chengal Room, Fourth Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru and at any adjournment thereof. * My / our proxy is to vote as indicated below :

No.	RESOLUTION	FOR	AGAINST
1.	Approval of Directors' Fees		
2.	Re-election of Director - Low Quek Kiong		
3.	Re-election of Director - Low Kueck Shin		
4.	Re-election of Director - Loh Wann Yuan		
5.	Re-appointment of Director - Tan Sri Dato' Low Nam Hui		
6.	Re-appointment of Messrs KPMG as Auditors.		
Special Business:			
7.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Seri Cemerlang Plantation (Pahang) Sdn Bhd.		
9.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Pengangkutan Low Nam Hui Sdn Bhd.		
10.	Proposed Amendments to the Articles of Association		

(Please indicate with a cross (X) in the appropriate space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.)

Number of shares held	
-----------------------	--

Signature of Member / Members

Dated this _____ day of _____ 2007

Note :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same Meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
4. Where a member is an authorized nominee as defined under the Securities 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.
5. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of its attorney duly authorised.
6. The Proxy Form must be deposited with the Company Secretary at the Registered Office, 6th Floor, Johor Tower, 15, Jalan Gereja, 80100 Johor Bahru, Johor not less than 48 hours before the time set for the Meeting.



FOLD HERE

STAMP

The Company Secretary
Harn Len Corporation Bhd (502606-H)
6th Floor, Johor Tower
15 Jalan Gereja
80100 Johor Bahru

FOLD HERE