



漢  
聯

汉联机构有限公司  
**HARN LEN**  
CORPORATION BHD  
(502606-H)

常年  
报告  
书  
ANNUAL  
REPORT  
2007



TROPICAL INN

2007 ANNUAL REPORT  
2007 年常年报告书

# CONTENTS

• NOTICE OF ANNUAL GENERAL MEETING	02 - 04
• STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING	05
• CORPORATE INFORMATION	06
• PROFILE OF DIRECTORS	07 - 09
• CHAIRMAN'S STATEMENT	10 - 12
• STATEMENT OF CORPORATE GOVERNANCE	13 - 16
• ADDITIONAL COMPLIANCE INFORMATION	17
• REPORT OF THE AUDIT COMMITTEE	18 - 20
• STATEMENT ON INTERNAL CONTROL	21 - 22
• FINANCIAL STATEMENTS 2007	23 - 70
• LIST OF PROPERTIES OF THE GROUP	71
• ANALYSIS OF SHAREHOLDINGS	72 - 74
• ANALYSIS OF WARRANTHOLDINGS	75 - 76
• FORM OF PROXY	77





## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth (8th) Annual General Meeting of Harn Len Corporation Bhd ("Harn Len" or "the Company") (502606-H) will be held at Merdeka Room, Ground Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru on Thursday, the 26th day of June, 2008 at 11.30 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors' fees for the financial year ended 31 December 2007. *(Resolution 1)*
3. To re-elect Mr Low Kuek Kong, a Director retiring in accordance with Article 84 of the Company's Articles of Association. *(Resolution 2)*
4. To re-elect Mr Low Kwek Lee, a Director retiring in accordance with Article 84 of the Company's Articles of Association. *(Resolution 3)*
5. To re-elect Brig. Jen. (B) Dato' Ali Bin Haji Musa, a Director retiring in accordance with Article 84 of the Company's Articles of Association. *(Resolution 4)*
6. To consider and if thought fit, pass the following resolution: *(Resolution 5)*  

"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 6)*

### 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 7)*  
("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 8)*  

"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 3 June 2008 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 Requirements and as set out in Section 2.2 of the Circular dated 3 June 2008;
  - 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;

## NOTICE OF ANNUAL GENERAL MEETING

### NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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 in 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."

#### 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 3 June 2008 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 3 June 2008;

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."

#### 11. 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  
3 June 2008

## 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 3 June 2008, which is sent out together with the Company's Annual Report 2007. 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.



## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### Name of Directors who are standing for re-election and re-appointment

1. Mr. Low Kuek Kong
2. Mr. Low Kwek Lee
3. Brig. Jen. (B) Dato' Ali Bin Hj. Musa
4. Tan Sri Dato' Low Nam Hui

### Detail of attendance of Directors at Board Meetings

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

### Eighth (8th) Annual General Meeting of Harn Len Corporation Bhd

Place : Merdeka Room, Ground Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru

Date and Time : Thursday, 26 June 2008 at 11:30 a.m.

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

The Directors' shareholdings as at 5 May 2008

No.	Name Of Directors	Direct		Deemed interest in shares	
		No. of shares	%	No. of shares	%
1.	Low Kuek Kong	-	-	114,527,245 <sup>*1</sup>	61.75
2.	Low Kwek Lee	-	-	114,527,245 <sup>*1</sup>	61.75
3.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
4.	Tan Sri Dato' Low Nam Hui	-	-	61,703,696 <sup>*2</sup>	33.27

#### Note:-

- \*1. By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sendirian Berhad, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his siblings, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.
- \*2. By virtue of his interests in LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his children, Low Quek Kiong and Low Kok Yong 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 Kuek Kong, Low Kwek Lee, Lee Chon Sing

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

### 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 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 90, 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 all of whom are 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 of which details are found in Note 30 of the Financial Statements.



### □ LOW QUEK KIONG NON-INDEPENDENT, EXECUTIVE

**Low Quek Kiong ("Low QK")**, aged 56, 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 all of whom are directors of the Company. Mr Low QK is a substantial shareholder of the Company by virtue of his direct and 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 of which details are found in Note 30 of the Financial Statements.



### □ LOW KUECK SHIN NON-INDEPENDENT, EXECUTIVE

**Low Kueck Shin ("Low KS")**, aged 51, 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 of experience in the oil palm plantation business.

Apart from his directorship in the Company, he is an Independent Non-Executive Director of OCI Berhad, a company listed on the Second Board of Bursa Malaysia Securities Berhad. 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.



汉联机构有限公司  
2007年年报

## 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 all of whom are 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 of which details are found in Note 30 of the Financial Statements.

**LOW KWEK LEE**  
 NON-INDEPENDENT, EXECUTIVE

**Low Kwek Lee ("KL Low")**, aged 49, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and he 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 all of whom are 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 of which details are found in Note 30 of the Financial Statements.

**LOW KUEK KONG**  
 NON-INDEPENDENT, EXECUTIVE

**Low Kuek Kong ("Low KK")**, aged 41, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and he 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 with 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 all of whom are 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 of which details are found in Note 30 of the Financial Statements.

**LEE CHON SING**  
 NON-INDEPENDENT, EXECUTIVE

**Lee Chon Sing**, aged 66, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002 and he was subsequently appointed the Group General Manager of Harn Len on 1 August, 2003. He is a member of the 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 39, 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.

Apart from his directorship in the Company, he is also an Independent Non-Executive Director of OCI Berhad, a company listed on the Second Board of Bursa Malaysia Securities Berhad.

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 13 years with experience in conveyancing and corporate laws. He is the Johor Bar Representative to the Bar Council serving also as a Chariman of the Corporate and Commercial Law Committee.

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

Mr Loh is not related to any Director or substantial shareholder of Harn Len.

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**, (Dato' Ali) aged 65, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003. Dato' Ali is the Chairman of the Remuneration Committee and also sits on the Audit and Nomination Committees.

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.

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.

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 of Commerce (Accountancy) Degree 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), Fellow of Taxation Institute, Inc [FTII(M)] and Fellow of the Association of Chartered Certified Accountants (FCCA).

Mr Law is also an Independent Non-Executive Director of White Horse Berhad, a company listed on the Main Board of Bursa Malaysia Securities Berhad.

He is not related to any Director or substantial shareholder of Harn Len.

Mr Law 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.



2007 年 報 告 書

## 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 fifth 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 2007 and an assessment of the prospects for the forthcoming year.

### Financial Performance

For the financial year ended 31 December 2007, Harn Len Group recorded a turnover of RM101,066,920 as compared to a turnover of RM70,902,573 for financial year 2006. This represents an increase of approximately 42.6% year on year. As a result, profit before tax increased to RM19,064,232 from RM9,779,835 for financial year 2006. The main reason for the huge improvement in financial performance is due to significantly higher prices of crude palm oil ("CPO"), fresh fruit bunches ("FFB") and palm kernel ("PK") in 2007. In 2007, average CPO prices increased to RM2,530 per metric tonne as against RM1,510 in the previous financial year.

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 as palm oil operations account for more than 90.0% of the Group's turnover. The Malaysian oil palm industry recorded a sterling performance in 2007, a year marked by huge jumps in global commodity prices. The firmness in CPO prices is influenced by structural changes in the global oils and fats supply and demand and the tendency for CPO price to move in correlation to crude oil prices. Average CPO price increased by 67.5% or RM1,020 to RM2,530 per metric tonne in 2007 against RM1,510 in the previous year.

Correspondingly, average price of PK in 2007 increased by 63.8% or RM569 to RM1,461 per metric tonne from RM892 in the previous year. Average prices of crude palm kernel oil and FFB also increased in tandem as a result of increasing demand and firmer lauric oil prices in the world market.

Production of CPO in the country decreased in 2007 after seven successive years of increase. Production declined by a marginal 0.4% to 15.8 million tones in 2007 from 15.9 million tones in the previous year. This is mainly attributable to the effects of flood damage during the early part of the year and biological stress.



## CHAIRMAN'S STATEMENT

Total export volume of oil palm products, constituting CPO, palm kernel oil, palm kernel cake, oleochemicals and finished products decreased by 3.0% to 19.56 million tonnes in 2007 from 20.16 million tonnes in 2006. However, total export revenue of oil palm products increased by 41.8% or RM13.3 billion to RM45.1 billion compared to RM31.8 billion in 2006 mainly due to the increase in the price of CPO. China remains the main export market for Malaysian palm oil accounting for 27.9% of total palm oil exports, followed respectively by the European Union, Pakistan, the United States, Japan and India. The decline in exports for the year is mainly attributable to a sharp drop in exports to the EU which fell by 20.02% due in part to an increase in domestic vegetable oils production in the EU. Challenges remain in the future to increase exports to the EU due to a negative advertising campaign against palm oil by competing domestic vegetable oil producers.

The highest and lowest monthly CPO prices for the year were recorded in November and February at RM2,965 per metric tonne and RM1,927 per metric tonne respectively. Notably, CPO prices exceeded the psychologically important price of RM3,000 per metric tonne in January 2008.

For the year ahead, the upward trajectory of CPO prices may be mitigated by fears of a global slowdown triggered by the sub-prime crisis in the United States.



This would likely lead to a dampening of demand for commodities all across the board in the short-term. However, we are optimistic that CPO prices will still remain fairly firm due to continued robust demand and lagging production. The increasing worldwide demand for biodiesel in the midst of rising crude oil prices are structural trends that will continue to bolster palm oil prices over the longer term.

During FY2007, Harn Len's joint-venture company with the Sarawak state government, Harn Len Pelita Bungan Sdn Bhd, which is involved in the development of 23,500 hectares of land in Sarawak has begun maiden production at the end of 2007. It is envisaged that over the longer term, the plantations in Sarawak will form the biggest proportion of the Group's plantation acreage.

The Board is optimistic about the prospects of Company in the forthcoming financial year with the anticipated contributions from its new plantations and continued emphasis on improving yields and extraction rates from its existing plantations.

### Other Developments

Extensive renovations are continuing at Tropical Inn with the initial upgrading of rooms on the upper floors of the hotel being completed already. This has helped in gradually turning around the performance of the hotel operations. We are optimistic that with the gradual implementation of the Iskandar Development Region and the completion of the integrated resorts in Singapore, demand for hotel rooms will be high in Johor Bahru and the hotel operations will return to profitability in the next few years.

### 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

28 April 2008

2007 年报  
董事局  
主席  
致辞



## 主席献词

### 前言

本人谨此代表董事部同人向诸位股东提呈汉联机构有限公司（“汉联”）的第五届常年报告书以及公司截至二零零七年十二月三十一日财政年度表现及业绩并评估来年的业务前景展望。

### 财务报告

在财政年度截至二零零七年十二月三十一日为止，本集团的总营业额达至一亿一百零六万六千九百二十令吉，与二零零六年财政年度的营业额七千零九十万两千五百七十三令吉相比之下，这代表业绩增长了百分之四十二点六。因此，税前盈利也从二零零六度的九百七十七万九千八百卅五令吉增加至一千九百零六万四千两百三十二令吉。促成这令人鼓舞的业绩主要因素为原棕油（“CPO”）的价格在二零零七年里的大幅度提升所致。在二零零七年里，原棕油的平均价格为每吨两千五百三十令吉，较二零零六年的一千五百一十令吉有明显增加。

董事部不建议在本财政年度派发股息。

### 未来展望

本集团未来的一年业务展望仍然依赖油棕业的前景动向与发展，因为油棕业的生产将占据公司的总营业额百分之九十以上。在二零零七年度里，马来西亚的棕油业有骄人的表现，均归功于被全球性的高涨油棕价格所推动。全球性对生物柴油的供应与需求伴随着原油的波动，类似种种因素对原棕油的价格动向都有肯定的引导因素。原棕油平均价格从前年的每吨一千五百一十令吉增长至二零零七年度的两千五百三十令吉，即增长幅度高达百分之六十七点五。

相对而言，每公吨棕仁油平均价格增长百分之六十三点八即攀升五百六十九令吉至一千四百六十一令吉；二零零六年的价格为八百九十二令吉。原棕果仁及棕仁油的平均价格也随着需求的增长，及化学油价格在全球市场稳固而升涨。

在七年持续增长过后，在二零零七年度里，我国原棕油的产量略为降低。产量滑落百分之零点四或从二零零六年的一千五百九十万公吨下跌至二零零七年的一千五百八十万公吨。主因是受到水灾所牵连和生态压力。

总括而言，在原棕油价格上涨的推动下，油棕产品出口量包括原棕油，果仁油，棕仁糕，化学油脂及制成品从二零零六年之两千零一十六万公吨下降至二零零七年的一千九百五十六万公吨或百分之三。不过，总油棕产品出口额却有所增加，从二零零六年之三百一十八亿令吉涨至二零零七年的四百五十一亿令吉，代表百分之四十一或一百三十三亿令吉。中国市场继续成为马来西亚的主要出口伙伴，其占有额为百分之二十七点九，其次为欧联，巴基斯坦，美国，日本和印度。欧盟出口额下跌百分之二十零二是出口总量滑落的主导因素。欧盟对植物油的需求量有明显的增加趋势。尽管如此，接下来的重大挑战将是如何应对棕油的负面广告以及面对植物油生产商的竞争。

全年最高和最低的每公吨原棕油记录为十一月之两千九百六十五令吉和二月之一千九百二十七令吉。令人激励的是在二零零八年一月份，每公吨原棕油价格超越了理想之三千令吉。

在未来的一年，原棕油价格的上升将有助于抵消美国房屋贷款问题所造成的全球经济放缓。我们对原棕油价格稳定继续保持乐观，因为需求继续强劲而生产量继续落后于需求。

在石油价格继续升涨的局势里，世界性的生物柴油需求也跟着提高，这都显现原棕油价格将在更长时间内看涨的趋势。

在二零零七财政年度年度尾间，汉联机构与在砂劳越州政府合资的公司 - 汉联宝利达私人有限公司（Harn Len Pelita Bangunan Sdn Bhd）在砂劳越其拥有的两万三千五百公顷种植土地已开始生产。长远来说，种植业在砂劳越的前景辉煌，将会成为本集团的主要种植基地。

董事部对本集团的种植业前景抱着乐观态度。在未来的一年里，董事部同人对新的耕植地的供献及持续努力提升集团原有种植业的营收充满信心。

### 其他发展

统一大酒店的装修工作正在进行中，高层楼的酒店房间装修已经完成。这有助于扭转酒店运作的业绩表现。基于伊斯甘达发展区的逐步进行及新加坡综合度假村的完成，新山的酒店房间需求也将会跟着提高。在未来的几年，我们的酒店运作也会跟着转为盈利。

### 致意

本人谨代表董事部同人，感激管理层及所有集团旗下职员继续为公司努力不懈付出。本人也同时要对我们的客户，商业伙伴，供应商，股东及政府官员们的持续支持致谢。最后，我要对所有董事部成员们的宝贵意见和贡献给予万分二的谢意。

丹斯里拿督刘南辉  
执行主席

日期：二零零八年四月二十八日



## 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") including the recent amendments to the Code by the Securities Commission in 2007 and will strive to implement the changes as recommended within the stipulated timeframe.

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.

#### Board Procedures

The Board is provided with an agenda and a 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. Board deliberations are properly recorded, including issues raised and discussed, and conclusions in discharging its duties and responsibilities. The Board has a formal schedule of matters specifically reserved for its decision.

#### Attendance

For financial year ended 31 December 2007, the number of board meetings held was four (4) and the attendance of the Directors at the Board meetings is as follows:-

	No. of meetings attended
Tan Sri Dato' Low Nam Hui	4
Low Quek Kiong	4
Low Kueck Shin	4
Low Kwek Lee	4
Low Kuek Kong	4
Lee Chon Sing	4
Loh Wann Yuan	4
Brig. Jen (B) Dato' Ali bin Hj. Musa	4
Law Piang Woon	4



汉联  
2007  
年报  
公告书





## 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 Bursa Malaysia Securities Berhad. As at 31 December 2007, 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 2007, all Directors with the exception of Mr Low Quek Kiong who was busy, attended the Enterprise Risk Assessment ("ERM") workshop organized by the Company. ERM involves the examination and identification of the methods, controls and procedures used by organizations to manage risks related to achieving the organisation's objectives. The workshop served to improve the Board's understanding of the importance of risk identification and management in terms of the Company's strategic planning, operation management and internal controls.

#### 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 Hj. Musa	(Independent Non-Executive Director)
Law Piang Woon	(Independent Non-Executive Director)

The Nomination Committee is composed exclusively of Non-Executive Directors, with the majority being independent. 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; to recommend directors to fill the seats on Board committees and to assess directors on an ongoing basis. Ultimate responsibility on appointment of new Directors still lies with the Board notwithstanding recommendations that may be made by the Nomination Committee.

The Nomination Committee will review the required mix of skills, knowledge, expertise and experience of a candidate for directorship and other qualities such as the candidate's professionalism and integrity. New appointments to the Board are made to ensure the right mix of experience and expertise to enhance the core competencies of the Board. In the case of candidates for Independent Non-Executive Directors, the Nomination Committee will also evaluate the candidate's ability to discharge such functions/responsibilities as expected from the role. The Committee shall also on an annual basis, review the mix of skills, experience and expertise of the Board and in particular, the core competencies contributed by the Independent Directors to the Board. It will also assess the effectiveness of the Board as a whole (including its size), Board committees and the individual contributions of each Director.

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.

The Nomination Committee has taken into account the amendments to the Code on Corporate Governance as recommended by the Securities Commission in 2007 and will strive to implement a properly documented assessment and evaluation process as recommended.

The Nomination Committee held one meeting in the financial year and proposed to recommend the re-election of Tan Sri Dato' Low Nam Hui as a Director retiring under section 129 of the Companies Act 1965.

#### 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 Hj. 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.

The Remuneration Committee held one meeting in the financial year to assess and recommend the appropriate remuneration for Executive and Non-Executive Directors for financial year 2007.



2007 年报

## STATEMENT ON CORPORATE GOVERNANCE

### Statement on Corporate Governance (cont'd)

#### Directors' Remuneration

The aggregate remuneration of the Directors who had served during the financial year ended 31 December 2007 categorized into appropriate components is as follows:-

	Executive Directors	Non-Executive Directors
Salaries and allowances	RM4,100,057	RM 62,000
Fees	RM nil	RM135,000
Attendance fees	RM nil	RM 23,000

Breakdown of aggregate remuneration for the year of Directors who had served during the financial year ended 31 December 2007 in bands of RM50,000 are as follows:-

Remuneration	No. of Directors	
	Executive	Non-Executive
RM1 to RM50,000	-	-
RM50,001 to RM100,000	-	3
RM300,001 to RM350,000	1	-
RM350,001 to RM400,000	2	-
RM700,001 to RM750,000	2	-
RM1,500,000 to RM1,600,000	1	-

#### CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a responsible corporate citizen, the Group actively adopts environmentally and socially responsible practices in its businesses in particular in relation to its palm oil cultivation and processing activities. In the financial year 31 December 2007, the Group evaluated the possibility of adopting a clean development composting system for its oil mill in its Lian Hup Estate. This will serve to reduce the emission of greenhouse gases and reduce sludge waste at the oil mill plant. The project is presently under consideration.

The Group also granted cash awards to children of employees who had performed reasonably well in examinations. This serves as an incentive for the children to strive in their educational pursuits.

#### 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 of the following:-

Loh Wann Yuan	(Independent Non-Executive Director)
Law Piang Woon	(Independent Non-Executive Director)
Lee Chon Sing	(Executive Director)*
Brig. Jen. (B) Dato' Ali bin Hj. Musa	(Independent Non-Executive Director)#

\* Resigned w.e.f. 28.1.08

# Appointed w.e.f. 28.1.08



## STATEMENT ON CORPORATE GOVERNANCE

### Statement on Corporate Governance (cont'd)

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

### 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 28 February, 2008.

### 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 28 February, 2008.



## **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, 2007 was RM111,000.

### **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**

There were no material contracts of the Company and its subsidiaries involving directors' and major shareholders' interests during the period under review.

汉联

2007年年报



## 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 of 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:-
  - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - (bb) he must be a member of one of the associations of accountants specified in Part II of the 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<br>(Independent Non-Executive Director)   | Chairman of AC |
| - Law Piang Woon<br>(Independent Non-Executive Director)  | Member of AC   |
| - Lee Chon Sing<br>(Executive Director)<br>Resigned w.e.f. 28 January, 2008.  | Member of AC   |
| - Brig. Jen. (B) Dato' Ali bin Hj. Musa<br>(Independent Non-Executive Director)<br>Appointed w.e.f. 28 January, 2008. | Member of AC   |



2007  
Annual Report

## REPORT OF THE AUDIT COMMITTEE (Cont'd)

### 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.

### 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 financial statements with management prior to the approval by the Board;
- to review the 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, adequacy and competency 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;
- to convene meetings with external auditors, internal auditors or both and the right to exclude the attendance of other directors and employees at such meeting; 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.



## REPORT OF THE AUDIT COMMITTEE (Cont'd)

### 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 2007 with all members of the AC in attendance. The dates of the meetings were 27 February 2007, 24 May 2007, 28 August 2007 and 26 November 2007. During the year under review, the activities of the AC included :-

- reviewing the unaudited quarterly financial results and announcements of the results prior to the approval of the Board of Directors;
- reviewing the audit reports and audit plans with the external auditors;
- reviewing the internal audit report with the appointed internal auditors and the in-house internal audit team;
- reviewing related party transactions including review procedures;
- reviewing financial budgets;
- appraising level of corporate governance;
- reviewing statements/reports for disclosure in the annual report;
- reviewing the proposed appointment of new internal auditors;
- reviewing the risk management report; and
- discussing any other matters raised during the meeting.

### Other matters

In accordance with recent amendments to the Listing Requirements and the Revised Code of Corporate Governance 2007, the functions, structure and certain procedures of the AC will be amended accordingly in order to comply with these new requirements over the stipulated timeframe.

2007  
年  
報  
告  
書



## 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 2007.

### 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 Board recognises risk management as a vital part of business operations to achieve sustainable profitability and enhance shareholders' value. As such, the Board has adopted an Enterprise Risk Management ("ERM") framework which is developed within its risk appetite.

On 9 March 2007, the Board has set up a Risk Management Committee ("RMC") which comprises of Executive Directors and Senior Management of the Group. The RMC is responsible to implement the Group's risk management policy and on quarterly basis, report directly to the Board on the results of identification, evaluation and management of significant risks faced by the Group.

The RMC in its meetings has discussed on the status of risks, measures taken and suitable follow-up actions. As part of the tools for documenting the Group's risks profile, risks identified are depicted in a risk map which shows the positioning of key risks identified in terms of the impact and likelihood of occurrence. This provides the Board and Senior Management with an overview of the risk exposure of the Group.

The Board believed that an effective ERM provides reasonable assurance that the progress towards achieving the Group's business objectives are properly managed and monitored.

### 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.
- Annual budgeting are done for each of business function and approved by the Board.
- 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.



## STATEMENT OF INTERNAL CONTROL (Cont'd)

- All major decisions are subject to review and approval by Board of Directors. The Board receives regular and appropriate reports covering all 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.