



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



ANNUAL REPORT  
2009

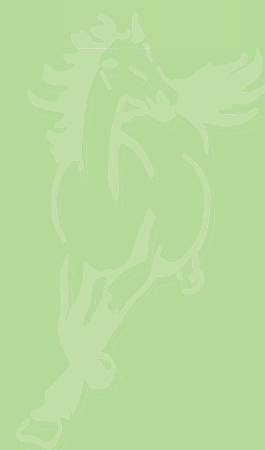




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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth (10th) Annual General Meeting of Harn Len Corporation Bhd (“Harn Len” or “the Company”) (502606-H) will be held at Meranti Hall, 4th Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru on Friday, the 18th day of June, 2010 at 3.30 pm for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon *Please refer to explanatory note 1*
2. To approve the payment of Directors’ fees for the financial year ended 31 December 2009 **(Resolution 1)**
3. To re-elect Mr Low Kueck Shin, a Director retiring in accordance with Article 84 of the Articles of Association of the Company **(Resolution 2)**
4. To re-elect Mr Low Kwek Lee, a Director retiring in accordance with Article 84 of the Articles of Association of the Company **(Resolution 3)**
5. To re-elect Mr Law Piang Woon, a Director retiring in accordance with Article 84 of the Articles of Association of the Company **(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 the age of 70, be re-appointed as a Director of the Company to hold office until the next Annual General Meeting.”
7. To re-appoint the retiring Auditors, Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2010 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 **(Resolution 8)**  
 (“Proposed Shareholders’ Mandate 1”)  
  
“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 2.5 of the Circular dated 27 May 2010 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;
  - 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 2.5 of the Circular dated 27 May 2010;



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

- 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."

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 2"*) **(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 2.5 of the Circular dated 27 May 2010 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;
- 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 2.5 of the Circular dated 27 May 2010;
- 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. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH LOW NAM HUI & SONS SDN BHD (*"Proposed Shareholders' Mandate 3"*) **(Resolution 10)**

"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 2.5 of the Circular dated 27 May 2010 with Low Nam Hui & Sons Sdn Bhd subject further to the following:-



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

- 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;
- 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 2.5 of the Circular dated 27 May 2010;
- 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."

### 12. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH COMET TRAVELS SDN BHD (*Proposed Shareholders' Mandate 4*) **(Resolution 11)**

"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 2.5 of the Circular dated 27 May 2010 with Comet Travels 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;
- 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 2.5 of the Circular dated 27 May 2010;
- 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."



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

13. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ADVANCE PINNACLE SDN BHD (*"Proposed Shareholders' Mandate 5"*) **(Resolution 12)**

"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 2.5 of the Circular dated 27 May 2010 with Advance Pinnacle 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;
- 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 2.5 of the Circular dated 27 May 2010;
- 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."

14. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH NUSANTARA BAKTI SDN BHD (*"Proposed Shareholders' Mandate 6"*) **(Resolution 13)**

"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 2.5 of the Circular dated 27 May 2010 with Nusantara Bakti 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;
- 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 2.5 of the Circular dated 27 May 2010;
- 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



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

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.”

15. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ORIGINAL GIFT SDN BHD (*“Proposed Shareholders' Mandate 7”*) **(Resolution 14)**

“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 2.5 of the Circular dated 27 May 2010 with Original Gift 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;

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 2.5 of the Circular dated 27 May 2010;

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:

16. PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY **(Resolution 15)**

“That the existing Article 149 be deleted in its entirety and that the following new Article 149 be adopted.

Existing Article 149 – Payment by cheque

Any Dividend, interest or other money payable in cash in respect of Securities may be paid by cheque or warrant sent through the post directed to the registered address of the holder as shown in the Register of Members or the Record of Depositors (as the case may be) or to such other person and to such other address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the Dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.



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

New Article 149 – Payment of dividend, interest or other money payable in cash, by cheque or electronic transfer

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or paid via electronic transfer of remittance to the account provided by the holder who is named on the Register of Members and/or Record of Depositors or if a person is entitled thereto in consequence of the death or bankruptcy of the holder, to such person or to the bank account of such person by writing direct. Every such cheque or warrant or electronic transfer of remittance shall be made payable to the order of the person to whom it is sent or remitted, and the payment of any such cheque or warrant or electronic transfer of remittance shall operate as a good discharge to the Company in respect of the dividend, interest or other money payable in cash represented thereby notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, or the instruction for the electronic transfer of remittance, has been forged. Every such cheque or warrant or electronic transfer of remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented."

17. 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  
27 May 2010

### 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**

Ordinary Business:

1. This Agenda is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Articles of Association of the Company does not require a formal approval of the Shareholders. Hence, this Agenda is not put forward for voting.



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

Special Business:  
- Ordinary Resolutions

Resolution 7 – Authority to allot and issue shares

The Company had during its 9th Annual General Meeting held on 26 June 2009, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). The Company did not issue any shares pursuant to this mandate obtained.

This ordinary resolution 7 proposed under Agenda 8 is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The ordinary resolution 7, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM. The renewal of this mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for purpose of funding future investment, working capital and/or acquisition.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

Resolution 8, 9, 10, 11, 12, 13 & 14 – Proposed Shareholders' Mandate 1, 2, 3, 4, 5, 6 & 7

The Ordinary Resolutions 8, 9, 10, 11, 12, 13 & 14 proposed in Agenda 9, 10, 11, 12, 13, 14 & 15 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, Pengangkutan Low Nam Hui Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, Comet Travels Sdn Bhd, Advance Pinnacle Sdn Bhd, Nusantara Bakti Sdn Bhd and Original Gift Sdn Bhd respectively as specified in Section 2.5 of the Circular to Shareholders dated 27 May 2010, which is sent out together with the Company's Annual Report 2009. 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.

Special Business:  
- Special Resolution

Resolution 15 – Proposed Amendment to the Articles of Association of the Company

With the implementation of electronic dividend ("eDividend") by Bursa Malaysia Securities Berhad effective 01 September 2010, Article 149 of the Articles of Association of the Company is proposed to be amended to make provision for the Company to pay dividend via electronic means.





# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## Name of Director who is standing for re-appointment:

Tan Sri Dato' Low Nam Hui

## Name of Directors who are standing for re-election:

1. Mr Low Kueck Shin
2. Mr Low Kwek Lee
3. Mr Law Piang Woon

## Detail of attendance of Directors at Board Meetings

\* Please refer to Statement of Corporate Governance on page 18 of the Annual Report 2009

## Tenth (10th) Annual General Meeting of Harn Len Corporation Bhd

Place : Meranti Hall, 4th Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru

Date and Time : Friday, 18 June 2010 at 3.30 pm

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

The Directors' shareholdings as at 30 April 2010:

| No. | Name Of Directors         | Direct        |   | Deemed interest in shares  |       |
|-----|---------------------------|---------------|---|----------------------------|-------|
|     |                           | No. of shares | % | No. of shares              | %     |
| 1.  | Mr Low Kueck Shin         | -             | - | 129,449,708 <sup>(1)</sup> | 69.79 |
| 2.  | Mr Low Kwek Lee           | -             | - | 129,449,708 <sup>(1)</sup> | 69.79 |
| 3.  | Mr Law Piang Woon         | -             | - | -                          | -     |
| 4.  | Tan Sri Dato' Low Nam Hui | -             | - | 129,449,708 <sup>(1)</sup> | 69.79 |

Note:-

*\*(1) Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.*

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

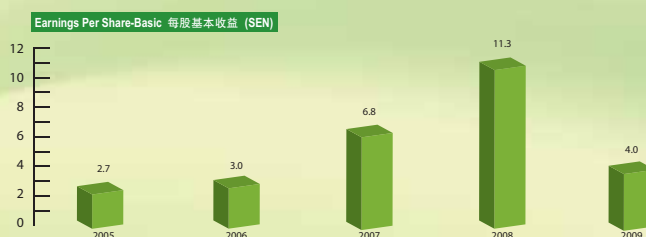
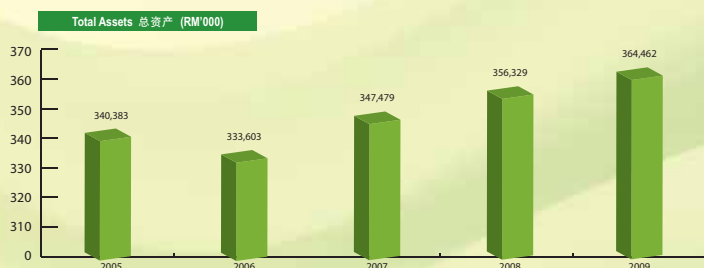
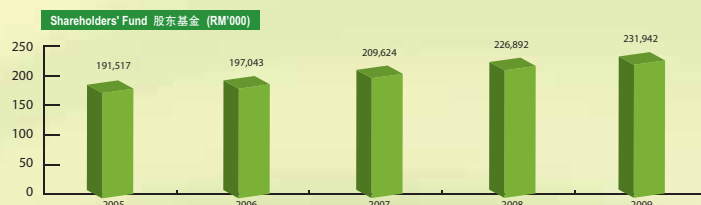
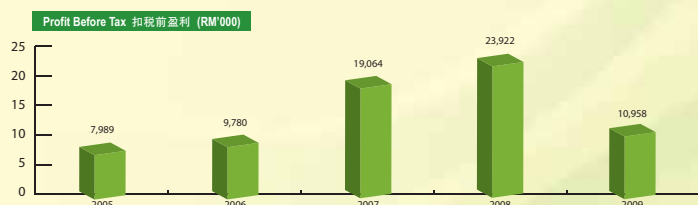
\* Please refer to the section on profile of Directors on page 12 to 14 of the Annual Report 2009





## 5 YEARS KEY STATISTICS

|                                      | Units           | 2009           | 2008           | 2007           | 2006           | 2005          |
|--------------------------------------|-----------------|----------------|----------------|----------------|----------------|---------------|
| <b>FINANCIAL PERFORMANCE</b>         |                 |                |                |                |                |               |
| Revenue                              | (RM'000)        | 103,078        | 137,528        | 101,067        | 70,903         | 64,046        |
| Profit From Operations               | (RM'000)        | 17,100         | 29,804         | 24,766         | 14,997         | 13,323        |
| Profit Before Tax                    | (RM'000)        | 10,958         | 23,922         | 19,064         | 9,780          | 7,989         |
| Taxation                             | (RM'000)        | 5,974          | 3,557          | 6,434          | 4,320          | 2,961         |
| <b>Net Profit</b>                    | <b>(RM'000)</b> | <b>4,984</b>   | <b>20,365</b>  | <b>12,630</b>  | <b>5,460</b>   | <b>5,028</b>  |
| Shareholders' Fund                   | (RM'000)        | 231,942        | 226,892        | 209,624        | 197,043        | 191,554       |
| Total Assets                         | (RM'000)        | 364,462        | 356,329        | 347,479        | 333,603        | 340,383       |
| Earnings Per Share-Basic             | Sen             | 4              | 11.3           | 6.8            | 3.0            | 2.7           |
| Net Tangible Assets Per Share        | RM              | 1              | 1.18           | 1.09           | 1.02           | 0.97          |
| <b>ESTATES</b>                       |                 |                |                |                |                |               |
| <u>Planted area</u>                  |                 |                |                |                |                |               |
| Mature                               | (ha)            | 12,603         | 11,957         | 9,367          | 8,342          | 7,599         |
| Immature                             | (ha)            | 1,622          | 1,859          | 4,131          | 5,506          | 5,364         |
| <b>Total Planted Area</b>            | <b>(ha)</b>     | <b>14,225</b>  | <b>13,816</b>  | <b>13,498</b>  | <b>13,848</b>  | <b>12,963</b> |
| <u>FFB Production</u>                |                 |                |                |                |                |               |
| Yield Per Mature Hectare             | (mt)            | 164,914        | 161,933        | 132,843        | 149,893        | 155,058       |
|                                      | (mt/ha)         | 13.085         | 13.543         | 14.182         | 17.968         | 20.405        |
| <b>MILLS</b>                         |                 |                |                |                |                |               |
| <u>FFB Processed</u>                 |                 |                |                |                |                |               |
| Own FFB                              | (mt)            | 68,842         | 80,390         | 68,791         | 87,082         | 62,728        |
| Outside FFB                          | (mt)            | 53,797         | 55,340         | 47,468         | 49,833         | 37,121        |
| <b>Total</b>                         | <b>(mt)</b>     | <b>122,639</b> | <b>135,730</b> | <b>116,259</b> | <b>136,915</b> | <b>99,849</b> |
| <u>Production</u>                    |                 |                |                |                |                |               |
| Crude Palm Oil                       | (mt)            | 24,548         | 27,191         | 23,588         | 27,485         | 18,757        |
| Palm Kernel                          | (mt)            | 6,802          | 7,822          | 6,447          | 7,772          | 5,366         |
| <u>Extraction Rate</u>               |                 |                |                |                |                |               |
| Crude Palm Oil Extraction Rate       | (%)             | 20.00          | 20.04          | 20.28          | 19.83          | 18.76         |
| Palm Kernel Extraction Rate          | (%)             | 5.56           | 5.78           | 5.58           | 5.78           | 5.38          |
| <u>Average Selling Prices (Nett)</u> |                 |                |                |                |                |               |
| Crude Palm Oil                       | (RM/mt)         | 2,102          | 2,808          | 2,319          | 1,488          | 1,398         |
| Palm Kernel                          | (RM/mt)         | 1,098          | 1,651          | 1,420          | 888            | 1,034         |





## 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

### BOARD OF DIRECTORS

Tan Sri Dato' Low Nam Hui (Executive Chairman)  
 Mr Low Quek Kiong (Executive Director)  
 Mr Low Kueck Shin (Executive Director)  
 Mr Low Kwek Lee (Executive Director)  
 Mr Low Kuek Kong (Executive Director)  
 Mr Lee Chon Sing (Executive Director)  
 Mr Loh Wann Yuan (Senior Independent Non Executive Director)

Brig. Jen. (B) Dato' Ali Bin Hj. Musa (Independent Non Executive Director)  
 Mr Law Piang Woon (Independent Non Executive Director)

### AUDIT COMMITTEE

Mr Loh Wann Yuan (Chairman)  
 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 Tricor Investor Services Sdn Bhd  
 (formerly known as Tenaga Koperat 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

OCBC Bank (Malaysia) Berhad  
 The Bank of Nova Scotia Berhad  
 Public Bank Berhad

### STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad  
 ("Bursa Malaysia")

### WEBSITE

[http : //harnlen.com.my](http://harnlen.com.my)



## PROFILE OF DIRECTOR



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

**Tan Sri Dato' Low Nam Hui**, aged 92, 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 30 of the Financial Statements.



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

**Low Quek Kiong** ("Low QK"), aged 58, 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 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 30 of the Financial Statements.



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

**Low Kueck Shin** ("Low KS"), aged 53, 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 is also an independent non-executive director of OCI Berhad, a company listed on the Main Market 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 and the Deputy Chairman of the Working Committee (Agricultural & Primary Industry) of The Associated Chinese Chambers of Commerce and Industry of Malaysia.

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 30 of the Financial Statements.



## PROFILE OF DIRECTOR (Cont'd)



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

**Low Kwek Lee** (“KL Low”), 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 KL Low obtained his Higher National Diploma in Business Studies from Brighton Technical College, London, England in 1980 and is an associate member of Institut Pengurusan Malaysia (MIM) since 1991. 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 30 of the Financial Statements.



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

**Low Kuek Kong** (“Low KK”), aged 43, 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 30 of the Financial Statements.



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

**Lee Chon Sing**, aged 68, 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 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 DIRECTOR (Cont'd)



### **LOH WANN YUAN**, SENIOR INDEPENDENT, NON-EXECUTIVE

**Loh Wann Yuan**, aged 41, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002. Mr Loh is the Chairman of Audit Committee and Nomination Committee and also sits on the Remuneration Committee. He was appointed the Senior Independent Director on 27 August, 2009.

Apart from his directorship in the Company, he is also an independent non-executive director of OCI Berhad, a company listed on the Main Market 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 with experience in conveyancing, commercial and corporate laws.

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 67, 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 Committee .

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 68, 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 Chartered Tax Institute of Malaysia (FCTIM) 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 Market 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.



## 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 seventh 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 2009 and an assessment of the prospects for the forthcoming year.*

### **Financial Performance**

For the financial year ended 31 December 2009, Harn Len Group recorded a turnover of RM103,077,561 as compared to a turnover of RM137,528,025 for financial year 2008. This represents a decrease of 25% year on year. As a result of the drop in revenue, profit before tax decreased from RM23,921,685 in financial year 2008 to RM10,957,739 in financial year 2009. The decrease in revenue and profits was mainly due to the lower crude palm oil ("CPO") prices in the year 2009 compared to the previous year. The replanting exercise carried out at the Pahang plantation had also contributed to the drop in revenue and increase in expenses.

### **Dividend**

The Company paid out its dividend on 11 January 2010 in the form of a single tier interim dividend of 1.0% per share during this financial year. The Board does not recommend a final dividend payment.

### **Overview of the Malaysian Oil Palm Industry 2009**

The year 2009 was a challenging one for the Malaysian oil palm industry amid the lingering effects of a weak global economy. Despite the challenging economic environment, the industry recorded a satisfactory performance in the year 2009 with exports of oil palm products rising by 2.9% although export earnings declined by 24.0% due to lower CPO prices in 2009 compared to the previous year.

The production of CPO in the country declined by 1.0% from 17.73 million tonnes in 2008 to 17.56 million tonnes in 2009. The lower output was due to biological stress from the bumper production of the previous year and the effects of heavy rainfall in early 2009 in East Malaysia, which affected the output of fresh fruit bunches ("FFB").

China has maintained its position as the largest palm oil export market for Malaysia for the eight (8) consecutive year, accounting for 25.4% of total palm oil exports, followed by the European Union (11.9%), Pakistan (11.1%), India (8.5%), USA (5.4%) and Egypt (3.8%). These six (6) markets combined accounted for 10.5 million tonnes or 66.2% of total Malaysian palm oil exports in 2009.

The average CPO price in 2009 decreased by 19.2% or RM533-00 to RM2,244-50 against RM2,777.50 in the previous year. CPO prices traded widely during the year, with the highest monthly average CPO price recorded in the month of May at RM2,743-50 and the lowest attained in the month of January at RM1,842-00.

CPO production is forecast to rise by 3.1% to 18.1 million tonnes in 2010 taking into consideration the expansion in matured area. The outlook for CPO prices in the current calendar year is optimistic in view of the improving global economic situation, the anticipated tight supply and the continuing increase in demand for vegetable oils.



## CHAIRMAN'S STATEMENT (Cont'd)

### Corporate Development

#### *Construction of a Palm Oil Mill*

The construction of a palm oil mill at the Masranti Estate has commenced in September 2009. The new palm oil mill will occupy an area of 5.7 hectares and will service both the Masranti and Harn Len Pelita Bengunan Estates in Sarawak. The mill is expected to be operational in the middle of 2011.

#### *Acquisition of Gemilang Bumimas Sdn Bhd*

On 08 December 2009, the Company announced the signing of the Share Sale Agreement for the acquisition of 100% equity stake in Gemilang Bumimas Sdn Bhd ("GBSB") for RM13,999,000. GBSB owns three (3) parcels of agricultural land in Sarawak with a total land area of 1,223 hectares. This deal is expected to be completed by June 2010. The acquisition presents an opportunity for the Company to further expand its land bank for oil palm plantations development in addition to its estates in Sarawak and Pahang. With the increased acreage from this acquisition, the Company's new palm oil mill at the Masranti Estate will be self sufficient with its own supply of FFB from its own estates in Sarawak.

### Operational Development

As at to date, Harn Len Pelita Bengunan Sdn Bhd, the Company's joint-venture company with Pelita Holdings Sdn Bhd, has planted approximately 3,297 hectares of the land allocated in Sarawak and mature area constituted approximately 76% of the planted land.

With respect to the Group's ageing plantation estates, the replanting programme which commenced in 2008 is still on-going. Currently, 3,500 acres had been replanted.

The environment for hotel operators in Johor Bahru remains challenging. Looking forward, the Company is optimistic that the opening of the two integrated resorts in the neighbouring country may bring some spillover business to the Group's Tropical Inn Hotel.

The Iskandar Development Region ("IDR"), which has been identified as the key engine of growth in the State of Johor, has gone full swing with the RM2 billion infrastructure funds set aside by the Federal Government for Johor Bahru City in 2009. Also, Tanjung Langsat, in the State of Johor is set to be the regional hub for the bio-fuel industry. The development in the IDR, together with the bio-fuel hub, is likely to boost the demand for property in Johor Bahru. In view of this positive outlook, Management is exploring the possibility of entering into a joint venture to develop the land owned by the Company's wholly-owned subsidiary Nusantara Daya Sdn Bhd, which is adjacent to the Group's Tropical Inn Hotel, provided the availability of a suitable joint venture partner.

### 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 start of the year has seen the CPO price moving in the uptrend. Based on the strong performance of the CPO price in the first quarter of the year, the Board is cautiously optimistic about the prospects of Group in the forthcoming financial year. In view of the on-going replanting programme, the new acquisition and the commencement of the construction of the palm oil milling plant, the Group is expected to enjoy contribution from these projects in the medium term.

### 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  
26 April 2010



# 主席献词

## 简介

本人谨此代表汉联机构有限公司(“汉联”)董事局向全体股东提呈第七届常年报告书,公司在过去一年截至二零零九年十二月三十一日财政年度表现及业绩的回顾以及对未来展望的评估。

## 财务表现

在截至二零零九年十二月三十一日的财政年度里,汉联集团的营业额达致一亿三百零七万七千五百六十一令吉,这比去年年度的一亿三千七百五十二万八千零二十五令吉剧减了二十五巴仙。营业额的减少,也造成课税前盈利从二零零八年财政年度的两千三百九十二万一千六百八十五令吉跌至二零零九年财政年度的一千零九十五万七千七百三十七令吉。业绩比去年逊色的原因,主要因素为二零零九年的原棕油平均价格比二零零八年的平均价格来得低。彭亨老园丘的翻种计划,也是造成营业额减少和费用增加的原因之一。

## 股息

在这二零零九年的财政年度里,公司在今年一月十一日已派发汉联集团的第二次股息,为单层面的每股一巴仙年中股息。董事部不建议派发终期股息。

## 2009年马来西亚油棕业表现

二零零九年对马来西亚油棕业来说是一个充满挑战性的一年。美国的金融风暴效应,使得全球经济放缓,也造成原棕油价格全球崩盘。然而,虽处于严峻的经济环境,马来西亚油棕业在二零零九年的表现还是令人满意的。虽然油棕产品出口收入剧减了二十四巴仙,原因是原棕油价格偏低,但全年的油棕产品出口额增加了百分之二点九。

本国的原棕油产量在二零零九年达到一千七百五十六万吨,相较于二零零八年略减了一百七十万公吨或百分之一。经过了二零零八年的丰收年,很多园丘在二零零九年遭受了一些生态压力因素而产量减少。东马的园丘,也因过多降雨量而影响到产量。

中国连续八年是马来西亚的主要出口国,占了百分之二十五点四的总出口数量,接着是欧洲共同体(百分之十一一点九),巴基斯坦(百分之十一一点一),印度(百分之八点五),美国(百分之五点四)和埃及(百分之三点八)。油棕产品出口数量到这六个国家占了百分之六十六点二或一千零五十万吨。

原棕油平均价格相较于二零零八年的每公吨两千七百七十七令吉,在二零零九年剧减了百分之十九点二或五百三十三令吉至每公吨两千两百四十四令吉。原棕油交易价格在二零零九年度里波动大,年度里原棕油价格最高及最低成交价分别是在五月份的每公吨两千七百四十三令吉以及在一月份的每公吨一千八百四十二令吉。

原棕油产量预测在二零一零年会增加到一千八百一十万吨或百分之三点一,主要原因是可收割面积增加。基于全球经济逐渐复苏,供应预测将会仍然紧绷,及菜油的需求还在继续增长,原棕油价格在二零一零年的展望看来乐观。

## 企业发展

### - 兴建榨油厂

汉联机构已经在二零零九年九月开始在砂劳越金山园丘(Masranti Estate)兴建一间榨油厂,占地五点七公顷,以应付金山园丘及汉联保利达本古南园丘(Harn Len Pelita Bengunan Estate)共一万八千英亩所出产的棕果,自己进行加工榨油。榨油厂预计将在二零一一年中可以开始运作。

### - 收购公司

二零零九年十二月八日,汉联机构宣布签署一份收购协议书,以一千三百九十九万九令吉,收购金光有限公司(Gemilang Bumimas Sdn Bhd)的一百巴仙股份。金光有限公司在砂劳越州拥有三片总面积一千二百二十三公顷的农业地。这项协议预计在二零一零年六月完成交易。此项收购将让汉联机构有机会扩大现有的油棕园面积,持续发展其油棕种植活动,同时也可以供应油棕果给汉联机构的榨油厂。

## 运作发展

到目前为止,汉联机构与在砂劳越州政府合资的公司 - 汉联保利达(本古南)私人有限公司(Harn Len Pelita Bengunan Sdn Bhd)已经种植了三千两百六十九公顷地,其中可收割面积占有将近百分之七十六。

汉联机构的老园丘,联合园丘(Lian Hup Estate)及新兰园丘(Senang Estate)的翻种油棕计划还在进行着。目前,已经翻种了三千五百英亩。

目前,柔佛新山的旅店生意环境仍然具挑战性。展望未来,邻国新加坡的两家综合旅游胜地陆续开张后,公司预测这将给新山带来一些生意效应。

伊斯干达发展区经被指定为柔佛州的主要成长动力,并在二零零九年由中央联邦政府拨出二十亿令吉全面投入新山市的基础建设。同时,丹绒郎刹也被划定为柔佛州生物燃料工业的区域核心。伊斯干达发展区与生物燃料核心的发展势必推动新山产业的需求。在这正面的前景下,管理层在探讨寻求适合的合资联营伙伴,来发展由努山达拉有限公司(Nusantara Daya Sdn Bhd)所拥有的地段,该地段与本集团属下的统一大酒店毗邻。

## 展望

因为油棕业占了集团营业额的九十巴仙以上,集团在来年的财务表现仍将在很大程度上依赖原棕油价格的表现。

原棕油价格在二零一零年初有上升的趋势。基于原棕油价格在今年第一季有强劲表现,董事局对接下来的财政年度二零一零的展望保持着谨慎乐观态度。基于集团现今还在进行油棕翻种活动,近期又收购公司和开始兴建榨油厂,集团预料将在中期内从这些计划中取得正面贡献。

## 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,我向本机构的全体董事及职工们的努力,提出很多建设性的忠告,同时对公司做出很大的贡献,谨此致谢。

丹斯里拿督刘南辉局绅  
执行主席

日期:二零一零年四月二十六日



## STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code of Corporate Governance (Revised October 2007) (“the Code”) sets out the principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The Board of Directors of Harn Len Corporation Bhd (“Harn Len” or “the Company”) recognises the paramount importance of good corporate governance to the success of the Company and in the discharge of its duties and responsibilities towards its shareholders, especially in the enhancement of shareholder value.

The Board is pleased to present the following statement on the application of the principles and compliance with the best practices as set out in the Code. Unless otherwise specified and explained, the Board is of the opinion that the Company has generally complied with the best practices in the Code.

### BOARD OF DIRECTORS

#### Responsibilities

The Board has the ultimate and overall responsibility for setting the objectives and steering the strategic direction of the Company. Other responsibilities include setting of broad company policies and procedures in ensuring good corporate governance, succession planning, advocating good public relations and shareholder communication, ensuring that the Company has a sound internal control system and evaluation of Company performance using various performance indicators.

The Executive Directors are primarily responsible for managing the day-to-day operations of the various business segments of the Company comprising plantation, oil milling, hotel management and property investment.

The Independent Non-Executive Directors are actively involved in the various Board Committees. Coming from different backgrounds and fields of expertise, the Independent Directors are able to offer different perspectives on and independent assessment of the proposals put forward by Management.

#### Meetings and Attendance

The Board meets on a scheduled basis at least four (4) times a year and, as and when the need arises. The Chief Financial Officer is usually invited to attend the Board meeting to help provide additional information and/or clarify any issues raised by the Board members. Other key management personnel and/or external advisers may also be invited to attend the meeting when required.

During the financial year, a total of five (5) Board meetings were held. The details of the attendance are as follows:-

| Director                              | Designation                 | Attendance |
|---------------------------------------|-----------------------------|------------|
| Tan Sri Dato' Low Nam Hui             | Executive Chairman          | 5 out of 5 |
| Mr Low Quek Kiong                     | Executive Director          | 5 out of 5 |
| Mr Low Kueck Shin                     | Executive Director          | 5 out of 5 |
| Mr Low Kwek Lee                       | Executive Director          | 5 out of 5 |
| Mr Low Quek Kong                      | Executive Director          | 5 out of 5 |
| Mr Lee Chon Sing                      | Executive Director          | 5 out of 5 |
| Mr Loh Wann Yuan                      | Senior Independent Director | 4 out of 5 |
| Brig. Jen. (B) Dato' Ali bin Hj. Musa | Independent Director        | 4 out of 5 |
| Mr Law Piang Woon                     | Independent Director        | 5 out of 5 |

#### Board Composition and Balance

The Board comprises nine (9) members of whom six (6) are Executive Directors and three (3) are Independent Non-Executive Directors. The Board composition complies with the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa”) that requires a minimum of two (2) or at least one-third (1/3) of the Board to be Independent Directors.

The Board is comprised of individuals from diverse academic background that provides a collective range of skills, expertise and experience in various fields such as plantations, property, manufacturing, legal and accounting. A brief profile of each director is presented on page 13 to 15 of the Annual Report.

There is a clear division of responsibility between the Chairman and the 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.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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

The Board has appointed Mr Loh Wann Yuan as the Senior Independent Non-Executive Director to whom concerns (of the shareholders, management and staff members, as well as other stakeholders) may be conveyed.

### Supply of Information

The Board meets on a regular basis at least four (4) times a year. Additional meetings may be called as and when necessary.

The agenda of each meeting is determined by the Chairman of the Board with assistance from the Company Secretary. All the Board members are provided with an agenda and a set of Board papers (containing information relevant to the matters for deliberation) usually one week before each Board meeting. 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, annual budgets, significant operational, financial and corporate issues, performance of the business units, and acquisition and disposal of undertakings and properties of a substantial value. In exercising their duties, the Directors may obtain independent professional advice from external advisers (such as investment bankers, solicitors, valuers, human resource consultants, etc), where deemed necessary, at the Company's expense.

The Board has the services of two (2) Company Secretaries who are responsible to the Board for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with. The Directors are regularly updated on new statutory as well as regulatory requirements relating to the duties and responsibilities of directors.

Besides the Company Secretaries, the Board has full and unrestricted access to any officers of the Company for information pertaining to the Company.

### Directors' Training

The Board encourages each and every individual Director to attend seminars, conferences, workshops and training programmes to update themselves with the latest economic and industry trends, technical developments, new concepts and the latest changes to laws and regulatory requirements. The Board views training as an important knowledge acquisition process for the Directors to contribute effectively to the Company.

During the financial year, the Directors have received the following training:-

| Director   | Course Title  | Trainer/Organiser                 | Date       |
|--|---|-----------------------------------|------------|
| Tan Sri Dato' Low Nam Hui                                  | Executive Updates for Directors on Corporate Governance, FRS139, 7 & 8 and Bursa Listing Requirements | KPMG, Public Accountant           | 15/09/2009 |
| Mr Low Kueck Shin<br>Mr Lee Chon Sing<br>Mr Law Piang Woon | Corporate Governance Guide – Towards Boardroom Excellence   | Malaysia Institute of Accountants | 16/07/2009 |
| Mr Low Quek Kiong<br>Mr Low Kwek Lee<br>Mr Low Kuek Kong   |   |                                   | 23/07/2009 |
| Mr Loh Wann Yuan   | Modern Internal Auditing for Directors, Audit Committee, Senior Management & Auditors                 | Bursatra Sdn Bhd                  | 22/04/2009 |

### BOARD COMMITTEES

To assist the Board in discharging its duties, the various Board Committees have been established. The functions and terms of references of the Board Committees are clearly defined and where applicable, comply with the recommendations of the Code.



## STATEMENT ON CORPORATE GOVERNANCE

### Audit Committee

The Audit Committee was set up by the Board on 23 May 2003 and is presently comprised of the following Independent Non-Executive Directors:-

Mr Loh Wann Yuan - Chairman  
Mr Law Piang Woon - Member  
Brig. Jen. (B) Dato' Ali bin Hj. Musa - Member

For more information on the Audit Committee, please refer to the Audit Committee Report set out on page 23 to 25 of the Annual Report.

### Nomination Committee

The Nomination Committee was established by the Board on 23 May 2003. The members of the Committee, who are all Independent Non-Executive Directors, are as follows:-

Mr Loh Wann Yuan - Chairman  
Mr Law Piang Woon - Member  
Brig. Jen. (B) Dato' Ali bin Hj. Musa - Member

The Committee is responsible for making recommendations for any new candidates to the Board. It is also responsible for reviewing the required mix of skills, expertise, experience and other qualities (including core competencies) which the Directors should bring to the Board.

The Committee has also implemented a process for the performance evaluation of the Board, Board Committees and the individual directors. It has recommended the adoption of the performance evaluation forms provided in the Corporate Governance Guide which was launched by Bursa sometime in June 2009. The Board has accepted its recommendation.

During the financial year, the terms of reference of the Committee was revised to be more in line with the Revised Code of Corporate Governance (October 2007).

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one-third (1/3) of the remaining Directors including the Managing Director shall retire from office at least once every three (3) years but shall be eligible for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

The Committee held two (2) meetings during the financial year with full attendance at each of the meetings. Subsequent to the financial year under review, the Committee held one (1) meeting during which it had recommended the re-appointment of Tan Sri Dato' Low Nam Hui as a Director retiring under Section 129 of the Companies Act, 1965 and the re-election of Messrs Low Kueck Shin, Low Kwek Lee and Law Piang Woon pursuant to Article 84 of the Company's Articles of Association.

### Remuneration Committee

A Remuneration Committee was established by the Board on 23 May 2003. The members of the Committee are as follows:-

|   |                                    |
|---|------------------------------------|
| Brig. Jen. (B) Dato' Ali bin Hj. Musa<br>(Chairman) | Independent Non-Executive Director |
| Mr Loh Wann Yuan<br>(Member)                        | Independent Non-Executive Director |
| Mr Lee Chon Sing<br>(Member)                        | Executive Director                 |

The Committee is responsible for developing the Group's remuneration policy framework and recommending the remuneration packages and benefits to be extended to the Executive Directors and key Management personnel. The ultimate responsibility of approving the recommendations rests on the Board of Directors.

The members of the Committee met twice during the financial year to carry out its duties and responsibilities entrusted to them. The matters that had been brought up for discussion / review at the said meetings include the proposed travelling policies and benefits-in-kind for the Executive Directors and senior Management, the job description of the Executive Directors and the revised terms of reference of the Committee, in addition to the remuneration review.

The criteria set for the remuneration of individual director is primarily based on number of years of working experience, qualifications obtained, level of responsibilities as well as individual and corporate performance.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### Directors' Remuneration

The aggregate remuneration of the Directors of the Company categorized into appropriate components is as follows:-

|                         | <b>Executive Directors<br/>(RM)</b> | <b>Non-Executive Directors<br/>(RM)</b> |
|-------------------------|-------------------------------------|---|
| Salaries and allowances | 4,166,096                           | 70,000                                  |
| Fees                    | Nil                                 | 135,000                                 |
| Attendance Fees         | Nil                                 | 49,000                                  |

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

| <b>Remuneration</b>        | <b>Number of Directors</b> |                                |
|----------------------------|----------------------------|--------------------------------|
|                            | <b>Executive Directors</b> | <b>Non-Executive Directors</b> |
| 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                          | -                              |
| RM1,600,001 to RM1,650,000 | 1                          | -                              |

### CORPORATE RESPONSIBILITY STATEMENT

As a responsible corporate citizen, the Company actively adopts environmentally and socially responsible practices in its businesses. In its palm oil plantations, it tries to use bio-fertilizers instead of petroleum-based fertilizers. For its palm oil mills, it strives to use environmental friendly processes.

The Company has also continued its annual practice of giving yearly educational awards in the form of cash to deserving children of the Group's employees.

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the Company's state of affairs, results and cash flows. It is therefore the responsibility of the Board, with the assistance of the Audit Committee, to ensure that the preparation and presentation of the Company's financial statements are in accordance with applicable approved Financial Reporting Standards in Malaysia.

The Directors are of the opinion that the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgment and estimates.

In preparing the annual audited financial statements and the unaudited quarterly financial reports to the shareholders, the Board strives to present a balanced and comprehensible assessment of the Company's financial position and prospects and also ensures that the financial results are released within the stipulated time frame.

#### Relationship with Auditors

The Company's external auditors are Messrs KPMG. Regular dialogues are held between the management and the 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 these are highlighted to the Board at Board meetings.

#### Audit Committee

The Company has an Audit Committee whose composition meets the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Committee is comprised wholly of independent non-executive directors, one of whom is a qualified accountant.

The functions and duties of the Audit Committee and the activities carried out during the financial year are set out on page 23 of the Annual Report under the heading of Audit Committee Report.



## **STATEMENT ON CORPORATE GOVERNANCE (Cont'd)**

### **Internal Control**

The Statement on Internal Control which provides an overview of the state of internal control of the Company is set out on page 26 of the Annual Report.

### **SHAREHOLDERS**

#### **Dialogue with Investors**

The Board acknowledges the need for shareholders to be kept informed of all material business matters affecting the Company. Information on the latest corporate developments affecting the Company are disseminated promptly via public announcements. These announcements are also posted on the Company's website using Bursa Link.

#### **Annual General Meeting**

The Annual General Meeting provides opportunity for the shareholders to meet the Board of Directors, the External Auditors, the Company Secretaries as well as some of the Company's key management officers.

Shareholders of the Company have been active at the Annual General Meeting over the past few years, as they raised questions at the Directors and offered suggestions. Ample opportunities and time are provided for the shareholders to speak. Their questions and issues raised were addressed by the Directors at the meeting. The Directors welcome their suggestions and feedback and spend time interacting with the shareholders on a more informal basis after the meeting.

The Company believes that a constructive and effective investor relationship is an essential factor in enhancing shareholder value. In this instance, the Company tries to provide as much information as possible to its shareholders. However, the Company is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

### **COMPLIANCE STATEMENT**

In relation to the principles of and the best practices in corporate governance as set forth in the Revised Code of Corporate Governance (October 2007), the Board is satisfied that it has generally complied with the Code throughout the financial year.

This statement is made in accordance with the resolution of the Board of Directors dated 24 February 2010.

### **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 judgments 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.

This statement made in accordance with the resolution of the Board of Directors dated 24 February 2010.



## REPORT OF THE AUDIT COMMITTEE

The Board of Directors of Harn Len Corporation Bhd is pleased to present the Audit Committee Report for the financial year ended 31 December 2009 as follows:-

### 1. Composition and Attendance

During the financial year ended 31 December 2009 and up to the date of this report, the AC is comprised of three (3) members who are all independent non-executive directors.

A total of six (6) meetings were held during the financial year. The directors were briefed on each AC meeting by the Chairman of the AC at the Board of Directors' meeting. The minutes of all the AC meetings were circulated to all the directors prior to Board meetings and noted at the said meetings.

The members of the AC and their attendance of the AC meetings during the year are detailed below:-

| Members                              | Designation | Attendance of Meetings |
|--------------------------------------|-------------|------------------------|
| Mr Loh Wann Yuan                     | Chairman    | 6 out of 6             |
| Mr Law Piang Woon                    | Member      | 6 out of 6             |
| Brig. Jen (B) Dato' Ali bin Hj. Musa | Member      | 6 out of 6             |

### 2. Terms of Reference of the AC

#### 2.1 Composition

An independent 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 directors 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, all of whom shall be non-executive directors with a majority being independent 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 or approved by the Exchange.\*

\* Pursuant to Practice Note 13 of the Listing Requirements, the following qualifications are also acceptable:

- (a) Either one of the following qualifications and at least 3 years' post-qualification experience in accounting or finance;
  - (i) A degree/masters/doctorate in accounting or finance; or
  - (ii) A member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants.
- or
- (b) At least 7 years' experience being a chief finance 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 directors 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.



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

### 2.2 Objectives

The primary objective of the AC is to assist the Board of Directors 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 Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") and the Best Practices recommended in the Malaysian Code of Corporate Governance ("the Code"), 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 Bursa and other approved accounting standard bodies.

The AC shall ensure consistency with Bursa'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.

### 2.3 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 of Directors ("the Board");
- to review the annual financial statements with management and the external auditors prior to the approval by the Board;
- to review the scope and recommendations in the internal audit reports and the effectiveness, functions, adequacy, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- to carry out in-depth review of major findings on internal investigations and management's response to recommended 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 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 where necessary from such meeting; and
- to consider any other topics as may be defined by the Board.

### 2.4 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.

### 2.5 Meetings

The AC is to meet not less than four (4) times a year and as many times as the AC deems necessary. The quorum for meetings shall be two (2) 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 AC minutes will be forwarded to Board members for information.



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

### 3. Summary of Activities during the Financial Year

During the financial year, the AC held meetings on 25 February, 26 May, 16 September, 27 August, 16 November and 07 December. Full attendance was recorded for all the AC members for the six (6) meetings held. In the same period, AC met with the external auditors twice without the presence of any management personnel. From the private discussion, AC gathered that Management had given their full co-operation to the auditors and was satisfied that the auditors were able to carry out their duties without any obstacles from Management as well as staff members.

Subsequent to the financial year, one meeting was held on 23 February 2010 which was attended by all the three (3) AC members.

In line with its Terms of Reference, AC carried out the following activities during the financial year ended 31 December 2009 in the discharge of its duties and responsibilities:-

- Review of the unaudited quarterly financial results and report for Board's approval for public release;
- Review of the unaudited financial statements for the financial year ended 31 December 2008 for Board's approval for public announcement;
- Review of the Report on the AC and the Statement on Internal Control for Board's approval for inclusion in the Annual Report;
- Review of the draft Circular to Shareholders in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature for Board's approval prior to circulation;
- Review of the internal audit plan and the internal audit reports;
- Review of the external audit plan and the external auditors' reports;
- Review and appraisal of the external auditors' performance for recommendation for re-appointment;
- Review of the risk management reports;
- Review of the reports on RRPT of a revenue and trading nature and the revised policies and procedures for RRPT;
- Review of the financial budgets;
- Review and assessment of sizeable potential investments; and
- Discussion and review of any other matters that were raised during the meetings.

### 4. Internal Audit Functions and Activities

A summary of the internal audit functions and activities conducted during the financial year is set out under the Statement on Internal Control on page 26.



## STATEMENT ON INTERNAL CONTROL

### Introduction

The Board is pleased to provide the following Statement on Internal Control pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Set out below is the Board's Statement on Internal Control which outlines the nature and state of internal control of the Group during the financial year ended 31 December 2009.

### Board's Responsibility

The Board acknowledges the importance of maintaining a sound system of internal control that covers the financial, operational and compliance controls and risk management practices in the organisation to safeguard the shareholders' investment and the Group's assets. The Board acknowledges its responsibility to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. 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 sustained profitability and enhanced shareholders' value. As such, the Board has adopted an Enterprise Risk Management ("ERM") framework which is developed within its risk appetite as an ongoing process for identifying, evaluating and managing the significant risks faced by the Group for the financial year under review.

The Board is supported by the Risk Management Committee ("RMC"), which comprises Executive Directors and Senior Management of the Group, in overseeing the risk management within the Group. The RMC is responsible for implementing 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.

### Internal Audit Function

The internal audit function of the Group is outsourced to an external consultant who reports directly to the Audit Committee on a half yearly basis. The cost incurred for the outsourced internal audit function for the financial year ended 31 December 2009 was RM 52,000.

During the financial year, the internal auditors have carried out two reviews according to the approved risk-based internal audit plan. The reviews covered the assessment on the adequacy and effectiveness of the Group's internal controls system. Upon completion of the internal audit, the internal audit observations, recommendations and management comments were reported to the Audit Committee. The Audit Committee has presented to the Board for their attention as well.

### Other Control Processes

The key elements of the Group's current system of internal control include:

- Regular visits to operating units by Board members and Senior Management whenever appropriate.
- Organisation structure with clearly defined lines of authority and appropriate levels of delegation.
- Annual budget for each business function and approved by the Board.
- Regular Management Meeting to discuss on the Group's operational and management issues.
- Review and approval by the Board on all major decisions.
- Regular submission of appropriate reports covering all divisions and departments within the Group to the Board.
- Communication of policies and procedures to all staff members via circulars and internal memorandums.
- Adequate financial and operational information systems in place to capture and present timely and pertinent internal business information.

### Weaknesses in Internal Controls That Result in Material Losses

For the year under review, some weaknesses in internal control were identified but none had materially impacted the business or operations of the Group. Nevertheless, measures have been taken to address these weaknesses and the management is committed to continuously strengthen the Group's control environment.



## **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, 2009 is RM82,200.

### **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 were no material contracts of the Company or its subsidiaries involving Directors and major shareholders subsisting at the end of the financial year under review or entered into since the end of the financial year under review or entered into since the end of the previous financial year :

Conditional Share Sale Agreement (“SSA”) dated 08 December 2009 for the acquisition of the entire equity interest in Gemilang Bumimas Sdn Bhd (“GBSB”) for a total cash consideration of RM13,999,000. GBSB owns three (3) parcels of agricultural land in Sarawak with a total land area of 1,223 hectares.

### **4. Utilisation of Proceeds**

No proceeds were raised by the Company from any corporate proposal during the financial year.

### **5. Share Buy-Back**

There was no share buy-back during the financial year.

### **6. Exercise of Options, Warrants or Convertible Securities**

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

### **7. Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies.

### **8. Variation in results**

There were no variances of more than 10% for the audited results of the Group from the unaudited results as announced on 25 February 2010.

### **9. Profit Guarantee**

There was no profit guarantee given by the Company during the financial year under review.

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