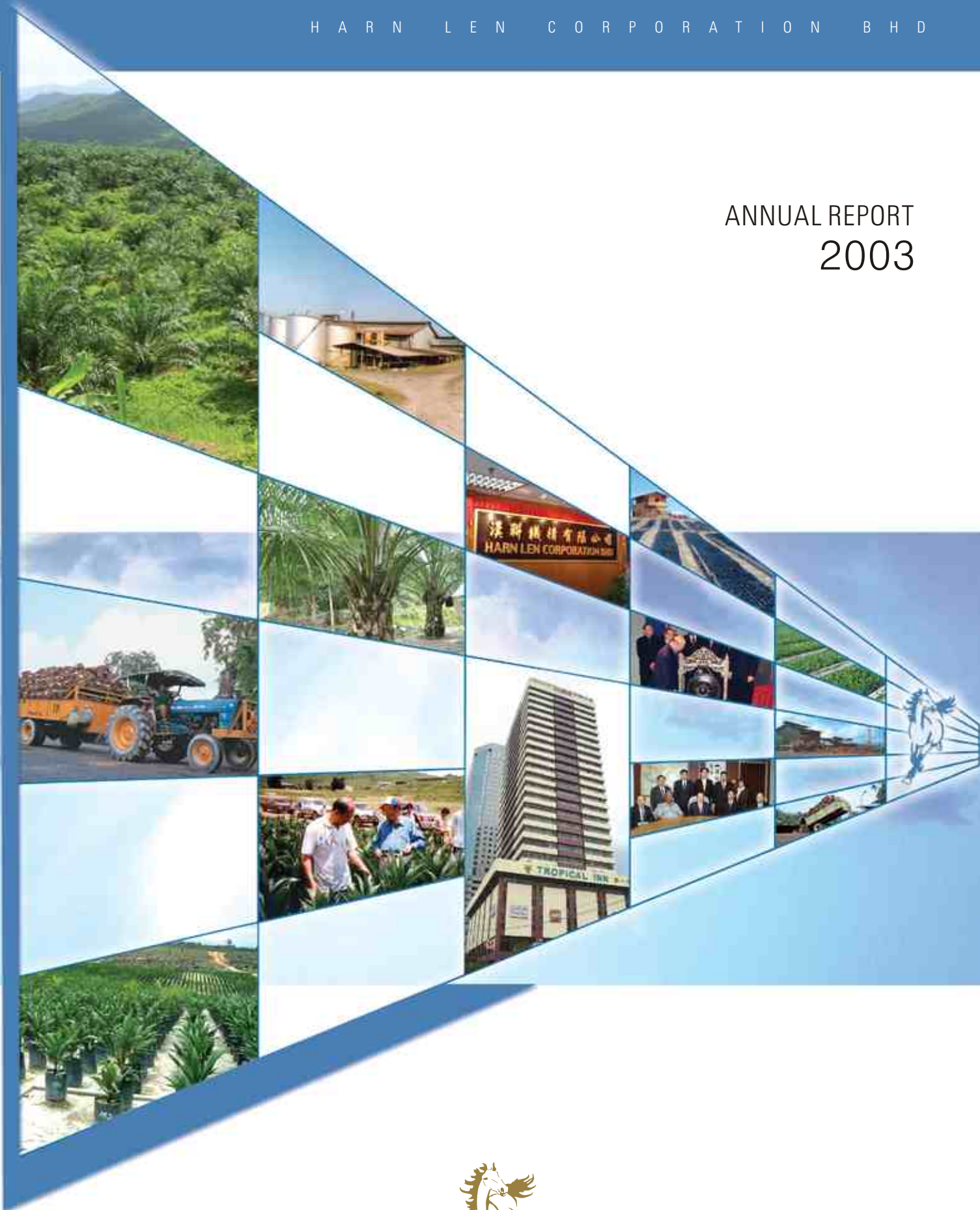


ANNUAL REPORT  
2003



**HARN LEN CORPORATION BHD**

(502606-H)

漢 聯 機 構 有 限 公 司

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# Notice Of Annual General Meeting

*NOTICE IS HEREBY GIVEN* that the Fourth Annual General Meeting of Harn Len Corporation Bhd ("Harn Len" or "the Company") (502606-H) will be held at Hall 4, Fourth Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru on Friday, the 11<sup>th</sup> day of June, 2004 at 11.00 a.m. for the following purposes:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2003 together with the Reports of the Directors and Auditors thereon. *(Resolution 1)*
2. To approve the payment of Directors' fees for the financial year ended 31 December 2003. *(Resolution 2)*
3. a) To re-elect the following Directors retiring under Article 84 of the Company's Articles of Association:
  - (i) Mr Loh Wann Yuan *(Resolution 3)*
  - (ii) Mr Lee Chon Sing *(Resolution 4)*
  - (iii) Dato' Liew Kuek Hin *(Resolution 5)*b) To re-elect Mr Law Piang Woon, retiring under Article 91 of the Company's Articles of Association. *(Resolution 6)*
4. To consider and if thought fit, pass the following resolution :
5. To re-appoint the retiring Auditors, Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration. *(Resolution 8)*
6. Special Business:

To consider and, if thought fit, pass with or without modification, the following ordinary resolution pursuant to Section 132D of the Companies Act, 1965 :

"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."

*(Resolution 9)*

7. 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  
20 May 2004

## **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 an officer or attorney duly authorised.
6. The Proxy Form must be deposited with the Company Secretary at the Registered Office, 6<sup>th</sup> Floor, Johor Tower, 15, Jalan Gereja, 80100 Johor Bahru, Johor, not less than 48 hours before the time set for the Meeting.
7. **Explanatory Note on Special Business :**

### **Resolution 9**

The Resolution proposed in Agenda 6 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.



# Statement Accompanying Notice of Annual General Meeting

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

1. Mr. Loh Wann Yuan
2. Mr. Lee Chon Sing
3. Dato' Liew Kuek Hin
4. Mr. Law Piang Woon
5. 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.

## Fourth Annual General Meeting of Harn Len Corporation Bhd

Place : Hall 4, Fourth Floor, Johor Tower, (Tropical Inn Building),  
15 Jalan Gereja, 80100 Johor Bahru, Johor Darul Ta'zim

Date and Time : Friday, 11 June, 2004 at 11.00 a.m.

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

The Directors' shareholdings as at 19 April 2004

No.	Name Of Shareholders	Direct		Deemed interest in shares	
		No. of shares	%	No. of shares	%
1.	Dato' Liew Kuek Hin	-	-	97,662,097 <sup>*1</sup>	52.65
2.	Loh Wann Yuan	-	-	1	0.00
3.	Lee Chon Sing	-	-	1	0.00
4.	Law Piang Woon	-	-	-	-
5.	Tan Sri Dato' Low Nam Hui	-	-	97,792,097 <sup>*2</sup>	52.72

\*1 By virtue of his interest in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd & LNH Enterprise Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

\*2 By virtue of his interest in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and Low Nam Hui (C & E) Sdn Berhad 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 5 of the Annual Report.



# Corporate Information



*From left to right:*

*(Front)-* Lee Chon Sing, Brig. Jen. (B) Dato' Ali Bin Hj Musa, Tan Sri Dato' Low Nam Hui ,  
Low Quek Kiong, Low Kueck Shin

*(Back) -* Law Piang Woon, Low Kwek Lee, Loh Wann Yuan, Low Kuek Kong, Fong Siew Kim  
Dato' Liew Kuek Hin (not present)

## **DIRECTORS**

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

## **REGISTERED OFFICE/ BUSINESS ADDRESS**

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

## **SECRETARIES**

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

## **SHARE REGISTRAR**

Messrs Chua, Woo & Company Sdn Bhd (122754-U)  
Suite 1301, 13<sup>th</sup> Floor  
City Plaza, Jalan Tebrau  
80300 Johor Bahru  
Telephone : 07- 3322088  
Facsimile : 07- 3328096

## **AUDITORS**

KPMG  
Chartered Accountants  
Wisma KPMG, Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Malaysia

## **PRINCIPAL BANKERS**

OCBC Bank (Malaysia) Berhad  
Public Bank Berhad

## **STOCK EXCHANGE LISTING**

Malaysia Securities Exchange Berhad ("MSEB")  
Second Board



# Profile of Directors

## **TAN SRI DATO' LOW NAM HUI**

*EXECUTIVE CHAIRMAN, NON-INDEPENDENT*

*Tan Sri Dato' Low Nam Hui*, aged 86, 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. He was the Chairman and Managing Director of Low Nam Hui & Sons Sdn Bhd Group ("LNHS Group") and also holds directorship in several private limited companies. An entrepreneur since 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 father of Dato' Liew Kuek Hin, 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 21 of the Financial Statements.

Tan Sri Dato' Low has never been convicted of any offences (other than traffic offences) within the past ten years.

## **DATO' LIEW KUEK HIN**

*NON-INDEPENDENT, NON-EXECUTIVE*

*Dato' Liew Kuek Hin*, 64, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003. He is a member of the Nomination Committee. Dato' Liew graduated from Nanyang University, Singapore in 1965 with a Bachelor of Commerce. 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 where he acquired vast business experience.

He is the Executive Chairman of London Biscuits Berhad, a company listed on the Main Board of MASEB and holds directorship in several private limited companies.

Dato' Liew is the son of Tan Sri Dato' Low and the brother 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. Dato' Liew 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 21 of the Financial Statements.

Dato' Liew has never been convicted of any offences (other than traffic offences) within the past ten years.

## **LOW QUEK KIONG**

*NON-INDEPENDENT, EXECUTIVE*

*Low Quek Kiong ("Low QK")*, aged 52, 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 Dato' Liew Kuek Hin, 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 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 21 of the Financial Statements.

Mr Low QK has never been convicted of any offences (other than traffic offences) within the past ten years.

## **LOW KUECK SHIN**

*NON-INDEPENDENT, EXECUTIVE*

*Low Kueck Shin ("Low KS")*, aged 47, 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 obtained his Higher National Diploma in Business Studies from Croydon Technical College, London, England. He joined his family-owned diversified business with major interests in logging, transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations, property



development and hotel operations since the late seventies and has obtained valuable hands-on experience. He has more than 20 years experience in the oil palm plantation business.

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

Mr Low KS is the son of Tan Sri Dato' Low and the brother of Dato' Liew Kuek Hin, 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 21 of the Financial Statements.

Mr Low KS has never been convicted of any offences (other than traffic offences) within the past ten years.

#### **LOW KWEK LEE**

*NON-INDEPENDENT, EXECUTIVE*

*Low Kwek Lee ("Low KL")*, aged 45, 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 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 Low KL is the son of Tan Sri Dato Low and the brother of Dato Liew Kuek Hin, Mr Low Quek Kiong, Mr Low Kueck Shin and Mr Low Kuek Kong who are all directors of the Company. Mr Low KL 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 21 of the Financial Statements.

Mr Low KL has never been convicted of any offences (other than traffic offences) within the past ten years.

#### **LOW KUEK KONG**

*NON-INDEPENDENT, EXECUTIVE*

*Low Kuek Kong ("Low KK")*, aged 37, 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.

Mr Low KK is the son of Tan Sri Dato' Low and the brother of Dato' Liew Kuek Hin, 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 21 of the Financial Statements.

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 has never been convicted of any offences (other than traffic offences) within the past ten years.

#### **LEE CHON SING**

*NON-INDEPENDENT, EXECUTIVE*

*Lee Chon Sing*, aged 62, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002 and was subsequently appointed the Group General Manager of Harn Len on 1 August, 2003. He is a member of the Audit Committee and Remuneration Committee of the Company. 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 and has never been convicted of any offences (other than traffic offences) within the past ten years.



**LOH WANN YUAN***INDEPENDENT, NON EXECUTIVE*

*Loh Wann Yuan*, aged 36, 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 a member of the Remuneration Committee of the Company.

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 9 years with considerable experience in conveyancing and corporate laws. He is a member of the Johor Bar Committee (2003-2004) serving also as Chairman of the Conveyancing Sub-Committee. He is also a member of the Conveyancing Practice, Corporate & Banking Law Committee of the Bar Council 2003.

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. Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia.

Mr Loh does not have any conflict of interest in any business arrangement involving the Company and has never been convicted of any offences (other than traffic offences) within the past ten years.

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

*Brig. Jen. (B) Dato' Ali Bin Hj Musa*, aged 62, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003. Brig. Jen. (B). Dato' Ali is the Chairman of the Remuneration Committee and also a member of the Nomination Committee of the Company.

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

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

He does not have any conflict of interest in any business

convicted of any offences (other than traffic offences) within the past ten years.

**LAW PIANG WOON***INDEPENDENT, NON-EXECUTIVE*

*Law Piang Woon*, aged 63, a Malaysian, was appointed to the Board of Harn Len on 5 August 2003. He is a member of the Audit Committee of the Company. He holds a Bachelor in Commerce (Accountancy). Mr Law has been practicing as a Public Accountant. Apart from his qualification as a Chartered Accountant of Malaysia, he holds various qualifications including Certified Public Accountant (Australia), Certified Public Accountant (Singapore) and Fellow of Taxation Institute, Inc [FTII(M)].

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

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

He does not have any conflict of interest in any business arrangement involving the Company and has never been convicted of any offences (other than traffic offences) within the past ten years.



# Chairman's Statement



**On behalf of the Board of Directors, I am pleased to present to the shareholders the first 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 2003 and an assessment of the prospects for the forthcoming year.**

## **Introduction**

This year proved to be a significant milestone for the Company with the successful completion of the restructuring of Sportma Corporation Berhad ("Sportma") and the subsequent listing and quotation of Harn Len on the Second Board of the Malaysia Securities Exchange Berhad ("MSEB") on 25 July 2003. The restructuring scheme of Sportma involved, inter alia, the following:-

- i) cancellation of the entire share premium reserve of Sportma amounting to RM1,050,000 as at 31 December 1999;
- ii) share swap by way of exchanging ten (10) existing ordinary shares of RM1.00 each in Sportma for one (1) new ordinary share of RM1.00 each in Harn Len and the transfer of Sportma's listing status on the Second Board of MSEB to Harn Len;
- iii) transfer of part of the liabilities of Sportma amounting to RM17,787,251 to Harn Len by way of novation of debt, as part of the consideration for the proposed transfer of listing status of Sportma to Harn Len;
- iv) rights issue of up to 30,000,000 new Harn Len shares with 30,000,000 free detachable warrants at an issue price of RM1.30 per share on the basis of twelve (12) rights shares and twelve (12) warrants for every one (1) Harn Len share held by the entitled shareholders of Sportma;
- v) acquisition by Harn Len of the entire equity interest in Uniglobal Sdn Bhd and fixed assets held by Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd and Perdana Properties Berhad to be satisfied by the issue of a combination of new Harn Len shares, Redeemable Convertible Secured Loan Stocks in Harn Len and cash;
- vi) restructuring and settlement of debts owing to the creditors of Sportma;
- vii) liquidation of Sportma and its subsidiaries; and
- viii) listing and quotation of the entire issued and paid-up share capital of Harn Len.





The restructuring scheme was successfully completed on 25 July 2003 and with it, Harn Len assumed the listing status of Sportma, heralding a new beginning for all previous stakeholders in Sportma with the emergence of a new business entity with core businesses in palm oil cultivation and processing and property investment.

### **Financial Performance**

For the maiden financial year ended 31 December 2003, the Group recorded a turnover of RM29,540,587 and a consolidated loss after tax of RM16,623,103. The losses were attributable to exceptional items arising from the implementation of the restructuring scheme for Sportma amounting to RM20,261,251 comprising of the write-offs of Harn Len's cost of investment in Sportma of RM2,500,000 and payment to creditors of Sportma by way of novation of debt amounting to RM17,761,251.

As Harn Len commenced operations only from 25 July 2003, the financial performance of the Group for the financial year reflects the performance for the period from that date up to 31 December 2003. Before taking into account the abovementioned exceptional items, the Group recorded a consolidated profit before tax of RM5,851,695. This is above the forecast consolidated profit before tax and exceptional items (based on the assumption of a completion date of 31 July 2003 for the restructuring of Sportma) of approximately RM6,700,000 as contained in the Abridged Prospectus dated 18 June 2003 issued by Harn Len in conjunction with the rights issue undertaken as part of the restructuring exercise of Sportma.

The significant improvement in the actual performance of the Group from that of the profit forecast is mainly attributable to the higher average selling prices for crude palm oil ("CPO") and palm kernel from that which was assumed for the purposes of preparation of the profit forecast. The Board does not recommend any dividend payment for this financial year.

### **Prospects**

The financial performance of the Group will largely depend on the outlook of the palm oil industry. The Malaysian palm oil industry in 2003 flourished under the tight world oils and fats supply situation and the high demand resulted in better export demand and improved prices for all Malaysian oil palm products. As a result, the average CPO price for 2003 increased by 13.2% to RM1,544 per metric tonne as against RM1,363 per metric tonne in the previous year.

The Board foresees an improved financial performance for the Group in the forthcoming financial year as there will not be a recurrence of the exceptional items that has been reflected in the financial results of the present financial year and also to the continuing tight situation in the world oils and fats supply market which will likely lead to continued firm prices for CPO.





## Corporate Developments

On 2 October 2003, the following exercises were announced:-

- i) acquisition of the entire issued and paid-up capital of Desamawar Runding Sdn Bhd, Pelita Pertama Sdn Bhd, Suen Tai (Sabah) Sdn Bhd by Harn Len for a total cash consideration of RM27,579,462;
- ii) acquisition of estate equipment from Lian Hup Manufacturing Company Sdn Berhad and Syarikat Senang Oil Palm Estate Sdn Bhd by Harn Len for a cash consideration of RM755,000 and RM660,000 respectively;
- iii) subscription by Harn Len of 16,024,010 new ordinary shares of RM1.00 each in Masranti Plantation Sdn Bhd at an issue price of RM1.38 per share; and
- iv) management agreement between Tropical Inn Sdn Bhd ("TISB") and Harn Len to appoint TISB as the manager and operator of Tropical Inn Hotel.

The above exercises were approved by the shareholders at the Extraordinary General Meeting held on 6 January 2004. The exercises will result in a significant increase in the acreage of estate land held by the Group and facilitate the operations of the



plantations presently held by the Group. The management agreement with TISB is to enable Harn Len to obtain the necessary expertise in respect of hotel management in the interim period until Harn Len obtains the required licence to operate and manage the hotel.





## 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*  
*19 April, 2004*



# Statement of Corporate Governance

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

Set out below is a statement of how the Group has applied the principles of the Code. The Board confirms that, with the exceptions set out below, 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 ten (10) members, comprising six (6) Executive Directors, one (1) Non-Independent Non-Executive Director 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 of Board meetings including organizing 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.

### **Supply of Information**

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

The Board also has access to the Company Secretary for advice 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 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 and the Listing Requirements or other regulatory requirements.



## Attendance

For financial year ended 31 December 2003, the number of board meetings held was four (4) and the attendance of the Directors at the Board meetings is as follows:-

	<u>No. of meetings attended</u>
Tan Sri Dato' Low Nam Hui	4/4
Low Quek Kiong	4/4
Low Kueck Shin	4/4
Low Kwek Lee	4/4
Low Kuek Kong	4/4
Lee Chon Sing	4/4
Dato' Liew Kuek Hin	3/4
Brig. Jen (B) Dato' Ali bin Haji Musa	3/4
Loh Wann Yuan	4/4
Huang Yan Teo*	1/4
Law Piang Woon**	2/4

\* Resigned as director on 28 July 2003

\*\* Appointed as director on 5 August 2003

## Nomination Committee

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

- Loh Wann Yuan Chairman  
(Independent Non-Executive Director)
- Brig. Jen. (B) Dato' Ali bin Haji Musa Member  
(Independent Non-Executive Director)
- Dato' Liew Kuek Hin Member  
(Non-Executive Director)

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

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 Committee met once during the year to recommend a new candidate to the Board to fill a vacancy in the Board, Audit Committee and Remuneration Committee.



### Remuneration Committee

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

- Brig. Jen. (B) Dato' Ali bin Haji Musa                      Chairman  
*(Independent Non-Executive Director)*
- Loh Wann Yuan    Member  
*(Independent Non-Executive Director)*
- Lee Chon Sing    Member  
*(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 Committee met four (4) times during the year before the financial year end to discuss the remuneration package for the executive directors. All members were present.

### Directors' Remuneration

The aggregate remuneration of the Directors who had served during the financial year ended 31 December 2003 categorized into appropriate components is as follows:-

	<b>Executive Directors</b>	<b>Non-Executive Directors</b>
Salaries and allowances	RM1,884,378	RM65,600
Fees	NIL	RM75,000

Breakdown of aggregate remuneration for the year of Directors who had served during the financial year ended 31 December 2003 in bands of RM50,000 are as follows:-

Remuneration	No. of Directors	
	<b>Executive</b>	<b>Non-Executive</b>
RM1 to RM50,000	-	5
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	1	-
RM150,001 to RM200,000	2	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	2	-
RM750,000 to RM800,000	1	-



## ACCOUNTABILITY AND AUDIT

### Financial Reporting

It is the responsibility of the Board, with the assistance of the Audit Committee, to ensure that the presentation of the Company's accounts are in accordance with the Companies Act 1965 (true and fair view) and Listing Requirements of Malaysia Securities Exchange Berhad ("MSEB") (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 MSEB Listing Requirements on its responsibilities in preparing the financial statements is set out on page 16.

### Relationship with Auditors

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

### Audit Committee

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

- |   |          |
|---|----------|
| • Loh Wann Yuan<br><i>(Independent Non-Executive Director)</i>  | Chairman |
| • Lee Chon Sing<br><i>(Executive Director)</i>                  | Member   |
| • Law Piang Woon<br><i>(Independent Non-Executive Director)</i> | Member   |

The Audit Committee Report is attached as required under Chapter 15 of MSEB Listing Requirements.

### Internal Control

A Statement on Internal Control is attached as required under Chapter 15 of MSEB 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 MSEB including quarterly financial results and where appropriate, announcements, Circulars and press releases.

### Annual General Meeting ("AGM")

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 MSEB for public dissemination.

Briefings and shareholders queries are dealt with at the AGM and extraordinary general meetings. 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 26 February, 2004.

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

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

The directors consider that in preparing the financial statements:-

- i) the Company have 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 26 February, 2004.



# Additional Compliance Information

## 1. Utilisation of Proceeds Raised from Corporate Proposals

The gross proceeds of RM9,526,000 raised from the Rights Issue has been utilized as follows during the financial year ended 31 December, 2003:

Working capital	RM7,160,854
Listing Expenses	<u>RM2,365,146</u>
	<u>RM9,526,000</u>

## 2. Non-Audit Fees

The amount of non-audit fees paid and payable to the external auditors by the Company for the financial year ended 31 December, 2003 was RM44,000-00.

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

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

## 4. Material Contracts

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

- i) A conditional sale and purchase agreement dated 2 October 2003 between Harn Len and LNH Enterprise for the acquisition of the following :-
  - 781,205 shares representing the entire issued and paid-up share capital of Desamawar Runding Sdn Bhd for a cash consideration of RM4,569,701;
  - 4,977,990 shares representing the entire issued and paid-up share capital of Pelita Pertama Sdn Bhd for a cash consideration of RM18,303,625; and
  - 1,182,943 shares representing the entire issued and paid-up share capital of Suen Tai (Sabah) Sdn Bhd for a cash consideration of RM4,706,136;as varied and supplemented by a supplemental agreement dated 14 November 2003;
- ii) A conditional sale and purchase agreements dated 2 October 2003 between Harn Len with Lian Hup Manufacturing Company Sdn Berhad and Syarikat Senang Oil Palm Estate Sdn Bhd respectively for the acquisition of estate equipment by Harn Len for a total cash consideration of RM1,415,000;
- iii) A conditional share subscription agreement dated 2 October 2003 between Harn Len and Masranti Plantation Sdn Bhd ("MPSB") for the cash subscription by Harn Len of 16,024,010 new MPSB shares for a total consideration of RM22,113,134 as varied and supplemented by a supplemental agreement dated 14 November 2003; and
- iv) A management agreement dated 2 October 2003 between Harn Len and Tropical Inn Sdn Bhd ("TISB") to appoint TISB as the manager and operator of Tropical Inn Hotel for a nominal fee of RM1.00;



# Report of the Audit Committee

## Composition

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

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

- i) a member of the Malaysian Institute of Accountants (MIA); or
- ii) if not a member of MIA, must have had at least three (3) years working experience, and either have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967 or a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- iii) hold a degree/masters/doctorate in accounting or finance and at least three years' post qualification experience in accounting or finance; or
- iv) have 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><i>(Independent Non-Executive Director)</i>  | Chairman of AC |
| - Law Piang Woon<br><i>(Independent Non-Executive Director)</i> | Member of AC   |
| - Lee Chon Sing<br><i>(Executive Director)</i>                  | Member of AC   |

During the financial year, Mr Huang Yan Teo tendered his resignation as director of the Company with effect from 28 July 2003 and his position in the AC was filled by Mr Law Piang Woon on 5 August 2003.



## 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 MSEB's 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 MSEB and other approved accounting standard bodies.

The AC shall ensure consistency with MSEB's commitment to encourage high standards of corporate disclosure and transparency. The AC also endeavors 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:-

- reviewing the effectiveness of management information and other systems of control within the Company and the Group;
- reviewing 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;
- reviewing the quarterly and annual financial statements with management and external auditors prior to the approval by the Board;
- reviewing the scope and recommendations in the internal audit reports and the effectiveness of the internal audit function;
- carry out in-depth review of major findings on internal investigations and management's response to recommend corrective measures;
- 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, MSEB and the Companies Commission of Malaysia;
- to review and report any related party transactions that may arise within the Company;
- to review any significant transactions which are in the normal course of business of the Company;
- to consider external auditors' appointment and remuneration;
- to review and report on areas of conflict of interest; and
- to consider any other topics as may be defined by the Board.

## Authority

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



### 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 2003 with all members of the AC in attendance. The dates of the meetings were 14 August 2003, 25 August 2003, 19 September 2003 and 20 November 2003. During the year under review, the activities of the AC included :-

- ⇒ Reviewed the draft unaudited quarterly financial results and announcements of the results prior to the approval of the Board of Directors with the external auditors;
- ⇒ Reviewed all related party transactions entered into by Harn Len;
- ⇒ Discussed and recommended to the Board, the establishment of internal audit function with the assistance of an external professional firm;
- ⇒ Appraised level of corporate governance;
- ⇒ Discussed any other matters raised during the meeting.



# Statement of Internal Control

## **Introduction**

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The MSEC's Listing Requirements require directors of listed companies to include in their annual reports on the state of internal controls of the listed issuer as a Group. The MSEC's Statement On Internal Control: Guidance for Directors of Public Listed Companies provides guidance for compliance with these requirements. Set out below is the Board of Directors' Internal Control Statement, which has been prepared in accordance with the Guidance.

## **Board's Responsibility**

The Board of Directors ("the Board") acknowledge their ultimate responsibility for Group's system of internal controls, which is designed to identify and manage the risks facing the businesses in pursuit of the organization's objectives. The system of internal control covers risk management, operational, organizational, financial and compliance controls to safeguard the Group's assets and shareholders' investments.

The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Notwithstanding this, ongoing reviews are continuously carried out to ensure the effectiveness of the system.

## **Enterprise Risk Management Framework**

The Management is presently looking into the outsourcing of external consultants to review the Risk Management Framework and Risk Management Policy for the Group.

## **Internal Audit Function**

During the financial year, the Board has resolved to appoint an independent professional firm as internal auditor on retainer basis to assist the Board and Audit Committee in identifying and evaluating significant risks affecting the Group's businesses and to obtain sufficient assurance from regular reviews and appraisals of the effectiveness of the system of internal controls within the Group.

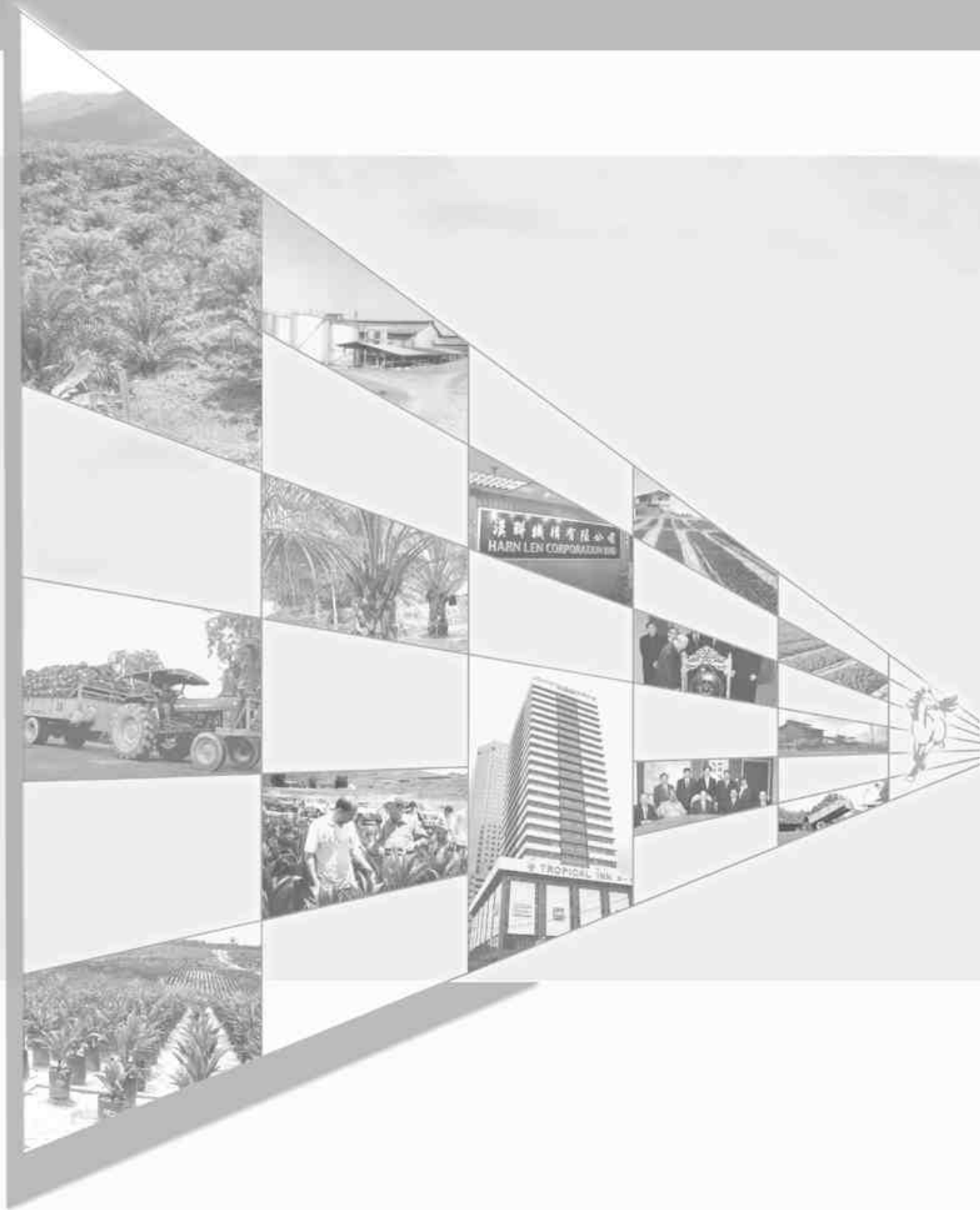
## **System of Internal Control**

The key processes that the Board has established in reviewing the adequacy and integrity of the Group's system of internal control include the following:-

- An organizational structure which clearly defined lines of responsibility and delegation of authority to provide a documented and auditable trail of accountability.
- Regular Board meetings, which require important matters to be highlighted, discussed and decided upon thereby ensuring that the Board maintains full and effective supervision over key issues.
- Regular visits to operating units by members of the Board and senior management, with the emphasis on the monitoring and controlling of expenditure at operating centers and ad-hoc investigations.

The Board is satisfied that there is an ongoing process of identifying, evaluating and managing significant risks that may affect the achievement of the Group's business objectives. The system of internal control will continue to be reviewed and updated in line with changes in the operating environment.





# Financial Statements

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# Directors' Report

## for the year ended 31 December 2003

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

### Principal activities

The Company is principally engaged in the operation of oil palm estate, palm oil mill, property investment, investment holding and the provision of transport services. The Company commenced operations during the year following the completion of the Corporate and Debt Restructuring Scheme of Sportma Corporation Berhad ("Sportma").

The principal activities of the subsidiaries are as stated in Note 3 to the financial statements. Other than the change in the principal activities of the Company, there has been no significant change in the nature of these activities during the financial year.

### Results

	<b>Group RM</b>	<b>Company RM</b>
Net loss for the year	<u>(16,623,103)</u>	<u>(18,332,292)</u>

### Significant event during the year

#### *Corporate and Debt Restructuring Scheme*

As mentioned in the previous year's financial statements, the Company was involved in the Corporate and Debt Restructuring Scheme ("Scheme") of Sportma that was approved by the Securities Commission ("SC"), Foreign Investment Committee ("FIC"), Ministry of International Trade and Industry ("MITI") and Malaysia Securities Exchange Berhad ("MSEB").

On 23 May 2003, Harn Len completed a share swap with Sportma, whereby the existing 25,000,000 Sportma shares were exchanged with 2,500,000 Harn Len shares on the basis of one (1) Harn Len share for every ten (10) existing Sportma shares held.

On 18 July 2003, the following allotment of debt and equity securities were issued as part of the Scheme:

- a) 139,689,905 Harn Len shares of RM1.00 each to Syarikat Senang Oil Palm Estate Sdn Bhd ("SSOP"), Lian Hup Manufacturing Company Sdn Berhad ("Lian Hup") and Perdana Properties Berhad ("PPB") for the purchase of property, plant and equipment; and LNHE Enterprise Sdn Bhd ("LNHE") for the purchase of the entire shareholdings in Uniglobal Sdn Bhd ("Uniglobal"). ("SSOP, Lian Hup, PPB and LNHE" are collectively known as "Vendors");
- b) 7,327,692 Harn Len shares of RM1.00 each, representing the underwritten portion of the rights issue under the Scheme, were issued at an issue price of RM1.30 per share raising an amount of RM9,526,000 in cash. 7,327,692 free detachable warrants on the basis of one (1) warrant for every one (1) Harn Len share were issued in connection with the rights issue;
- c) 3,441,538 Harn Len shares of RM1.00 each at an issue price of RM1.30 per share to creditors of Sportma pursuant to a novation of debt of RM17,761,251 under the Scheme together with 3,441,538 free detachable warrants on the basis of one (1) warrant for every one (1) Harn Len share issued;
- d) 19,230,770 Harn Len shares of RM1.00 each at an issue price of RM1.30 per share to the creditors of Sportma on behalf of the Vendors together with 19,230,770 free detachable warrants on the basis of one (1) warrant for every one (1) Harn Len share issued;



- e) 13,287,251 Harn Len shares of RM1.00 each to creditors of Sportma pursuant to a novation of debt under the Scheme as mentioned in Note (c) above; and
- f) RM44,310,095 nominal amount of 1.5% five (5) year 2003/2008 of Redeemable Convertible Secured Loan Stock at 100% nominal value in Harn Len together with 44,310,095 free detachable warrants to Danaharta Managers Sdn Bhd.

The entire 185,477,159 Harn Len shares together with the 74,310,095 Harn Len warrants were successfully listed on the Second Board of MSEC on 25 July 2003.

#### *Proposed Corporate Exercise*

On 22 December 2003, Hwang-DBS Securities Berhad on behalf of the Company issued a Circular to Shareholders in relation to:

- a) Proposed acquisitions of the entire issued and paid up share capital of Desamawar Runding Sdn Bhd ("DRSB"), Pelita Pertama Sdn Bhd ("PPSB") and Suen Tai (Sabah) Sdn Bhd ("STSB") from LNHE for a total cash consideration of RM27,579,462;
- b) Proposed acquisition of estate equipments from Lian Hup and SSOP for a total cash consideration of RM1,415,000;
- c) Proposed subscription by Harn Len of 16,024,010 new ordinary shares of RM1.00 each in Masranti Plantation Sdn Bhd ("MPSB") at an issue price of RM1.38 per share for a cash consideration of RM22,113,134; and
- d) Proposed management agreement between Tropical Inn Sdn Bhd ("TISB") and Harn Len to appoint TISB as the Manager and Operator of a hotel known as "Tropical Inn"

(collectively referred to as the "Proposals").

#### **Reserves and provisions**

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

#### **Dividend**

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

#### **Directors of the Company**

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

Lee Chon Sing	
Loh Wann Yuan	
Tan Sri Dato' Low Nam Hui	(appointed on 25.2.2003)
Dato' Liew Kuek Hin	(appointed on 25.2.2003)
Low Quek Kiong	(appointed on 25.2.2003)
Low Kueck Shin	(appointed on 25.2.2003)
Low Kwek Lee	(appointed on 25.2.2003)
Low Kuek Kong	(appointed on 25.2.2003)
Brig. Jen. (B) Dato' Ali bin Haji Musa	(appointed on 25.2.2003)
Law Piang Woon	(appointed on 5.8.2003)
Huang Yan Teo	(resigned on 28.7.2003)



## Directors' interests

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

	<b>Number of ordinary shares of RM1 each</b>			<b>Balance at 31.12.2003</b>
	<b>Balance at 1.1.2003</b>	<b>Bought</b>	<b>Sold</b>	
<i>Shareholdings in which Directors have direct interest</i>				
Lee Chon Sing	1	-	-	1
Loh Wann Yuan	1	-	-	1

	<b>Number of ordinary shares of RM1 each</b>			<b>Balance at 31.12.2003</b>
	<b>Balance at 1.1.2003/ Date of appointment</b>	<b>Bought/ Allotted</b>	<b>Sold</b>	
<i>Shareholdings in which Directors have indirect interest</i>				
Tan Sri Dato' Low Nam Hui	-	104,948,897 <sup>1</sup>	(7,176,800) <sup>1</sup>	97,772,097 <sup>1</sup>
Dato' Liew Kuek Hin	-	104,818,897 <sup>2</sup>	(7,176,800) <sup>2</sup>	97,642,097 <sup>2</sup>
Low Quek Kiong	-	104,948,897 <sup>1</sup>	(7,176,800) <sup>1</sup>	97,772,097 <sup>1</sup>
Low Kueck Shin	-	104,948,897 <sup>1</sup>	(7,176,800) <sup>1</sup>	97,772,097 <sup>1</sup>
Low Kwek Lee	-	104,818,897 <sup>2</sup>	(7,176,800) <sup>2</sup>	97,642,097 <sup>2</sup>
Low Kuek Kong	-	104,818,897 <sup>2</sup>	(7,176,800) <sup>2</sup>	97,642,097 <sup>2</sup>

	<b>Number of warrants</b>			<b>Balance at 31.12.2003</b>
	<b>Balance at 1.1.2003/ Date of appointment</b>	<b>Bought/ Allotted</b>	<b>Sold</b>	
<i>Shareholdings in which Directors have indirect interest</i>				
Tan Sri Dato' Low Nam Hui	-	48,939,087 <sup>3</sup>	(1,634,400) <sup>3</sup>	47,304,687 <sup>3</sup>
Dato' Liew Kuek Hin	-	48,939,087 <sup>3</sup>	(1,634,400) <sup>3</sup>	47,304,687 <sup>3</sup>
Low Quek Kiong	-	48,939,087 <sup>3</sup>	(1,634,400) <sup>3</sup>	47,304,687 <sup>3</sup>
Low Kueck Shin	-	48,939,087 <sup>3</sup>	(1,634,400) <sup>3</sup>	47,304,687 <sup>3</sup>
Low Kwek Lee	-	48,939,087 <sup>3</sup>	(1,634,400) <sup>3</sup>	47,304,687 <sup>3</sup>
Low Kuek Kong	-	48,939,087 <sup>3</sup>	(1,634,400) <sup>3</sup>	47,304,687 <sup>3</sup>

<sup>1</sup> By virtue of their interest in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and Low Nam Hui (C & E) Sdn Berhad pursuant to Section 6A of the Companies Act, 1965.

<sup>2</sup> By virtue of their interest in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

<sup>3</sup> By virtue of their interest in Perdana Properties Berhad and Low Nam Hui & Sons Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.



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

### Directors' benefits

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

There were no arrangements during and at the end of the year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of warrants.

### Issue of shares and debentures

#### Issue of shares

During the financial year, the Company issued 185,477,156 ordinary shares of RM1.00 each at par for the following:

<u>Number of shares</u>	<u>Issue price</u>	<u>Purpose</u>
2,500,000	RM1.00	Acquisition of Sportma Corporation Berhad
139,689,905	RM1.00	Acquisition of property, plant and equipment and a subsidiary
30,000,000	RM1.30	Rights issue
13,287,251	RM1.00	Settlement of creditors of Sportma

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

### Warrants

Pursuant to the Abridged Prospectus dated 18 June 2003, 30,000,000 free detachable warrants were issued to entitled shareholders who subscribed for the Rights Issue of 30,000,000 new Harn Len shares. In addition, 44,310,095 warrants were also issued on 18 July 2003 in conjunction with the issuance of RM44,310,095 nominal value of 1.5% five-year Redeemable Convertible Secured Loan Stock ("RCSLS").

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

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

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



### Options granted over unissued shares and debentures

No options were granted to any person to take up unissued shares or debentures of the Company during the year apart from the issue of warrants.

### Other statutory information

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

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

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

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

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

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

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

In the opinion of the Directors, other than the exceptional items as disclosed in the income statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.



**Auditors**

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

Signed in accordance with a resolution of the Directors:

**Low Quek Kiong**

**Low Kueck Shin**

Johor Bahru,

Date: 31 March, 2004



# Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 33 to 56 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

**Low Quek Kiong**

**Low Kueck Shin**

Johor Bahru,

Date: 31 March, 2004



# Statutory Declaration

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

I, **Low Quek Kiong**, the Director primarily responsible for the financial management of Harn Len Corporation Bhd, do solemnly and sincerely declare that the financial statements set out on pages 33 to 56 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Johor Bahru on 31 March, 2004.

**Low Quek Kiong**

Before me:

Hj Bahari Hj Mahadi (J 075)  
Commissioner for Oaths  
Johor Bahru



# Report of the Auditors

We have audited the financial statements set out on pages 33 to 56. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion:

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

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

The audit report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**KPMG**

Firm Number: AF 0758  
Chartered Accountants

**Jimmy Leow Min Fong**

Partner  
Approval Number: 595/03/06(J/PH)

Johor Bahru,

Date: 31 March, 2004



# Balance Sheet

as at 31 December 2003

	Note	Group 2003 RM	Company 2003 RM	2002 RM
<b>Property, plant and equipment</b>	2	210,863,977	159,423,765	-
<b>Investment in subsidiaries</b>	3	-	50,000,002	-
<b>Intangible assets</b>	4	2,036,044	-	1,636,832
<b>Current assets</b>				
Inventories	5	540,934	307,686	-
Trade and other receivables	6	7,552,388	6,842,606	500,000
Cash and cash equivalents	7	10,254,712	9,411,026	3
		18,348,034	16,561,318	500,003
<b>Current liabilities</b>				
Trade and other payables	8	5,543,359	6,402,491	2,191,364
Borrowings	9	80,004	80,004	-
Taxation		40,542	40,542	-
		5,663,905	6,523,037	2,191,364
<b>Net current assets/(liabilities)</b>		12,684,129	10,038,281	(1,691,361)
		<u>225,584,150</u>	<u>219,462,048</u>	<u>(54,529)</u>
<b>Financed by:</b>				
<b>Capital and reserves</b>				
Share capital	10	185,477,159	185,477,159	3
Reserves		(3,774,781)	(5,483,970)	(54,532)
<b>Shareholders' funds</b>		181,702,378	179,993,189	(54,529)
<b>Long term and deferred liabilities</b>				
Borrowings	9	139,995	139,995	-
Deferred tax liability	11	6,790,487	2,377,574	-
Retirement benefits	12	60,310	60,310	-
Redeemable convertible secured loan stock	13	36,890,980	36,890,980	-
		<u>225,584,150</u>	<u>219,462,048</u>	<u>(54,529)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2004.

The notes set out on pages 37 to 56 form an integral part of, and should be read in conjunction with, these financial statements.



# Income Statement

for the year ended 31 December 2003

	Note	Group 2003 RM	Company 2003 RM	2002 RM
<b>Revenue</b>	14	29,540,587	24,273,567	-
<b>Operating loss</b>	14	(13,261,837)	(15,847,772)	(45,531)
Interest expense	16	(1,303,625)	(1,293,150)	-
Interest income		48,746	48,746	-
<b>Loss before taxation</b>		(14,516,716)	(17,092,176)	(45,531)
Tax expense	17	(2,106,387)	(1,240,116)	-
<b>Net loss for the year</b>		(16,623,103)	(18,332,292)	(45,531)
Basic loss per ordinary share (sen)	18	(19.5)		
Diluted loss per ordinary share (sen)	18	(13.8)		

The notes set out on pages 37 to 56 form an integral part of, and should be read in conjunction with, these financial statements.



# Statement of Changes in Equity

for the year ended 31 December 2003

Group	Note	Share capital RM	Share premium RM	RCCLS - Equity component RM	Accumulated losses RM	Total RM
<b>At date of consolidation</b>		-	-	-	(54,532)	(54,532)
Issue of shares		185,477,159	9,000,000	-	-	194,477,159
RCCLS - Equity component		-	-	6,268,000	-	6,268,000
Net loss for the year		-	-	-	(16,623,103)	(16,623,103)
Listing expenses written off	4	-	(2,365,146)	-	-	(2,365,146)
<b>At 31 December 2003</b>		<u>185,477,159</u>	<u>6,634,854</u>	<u>6,268,000</u>	<u>(16,677,635)</u>	<u>181,702,378</u>
		Note 10		Note 13		
<b>Company</b>						
<b>At 1 January 2002</b>		3	-	-	(9,001)	(8,998)
Net loss for the year		-	-	-	(45,531)	(45,531)
<b>At 31 December 2002</b>		3	-	-	(54,532)	(54,529)
Issue of shares		185,477,156	9,000,000	-	-	194,477,156
RCCLS - Equity component		-	-	6,268,000	-	6,268,000
Net loss for the year		-	-	-	(18,332,292)	(18,332,292)
Listing expenses written off	4	-	(2,365,146)	-	-	(2,365,146)
<b>At 31 December 2003</b>		<u>185,477,159</u>	<u>6,634,854</u>	<u>6,268,000</u>	<u>(18,386,824)</u>	<u>179,993,189</u>
		Note 10		Note 13		

The notes set out on pages 37 to 56 form an integral part of, and should be read in conjunction with, these financial statements.



# Cash Flow Statement

for the year ended 31 December 2003

	Group 2003 RM	Company 2003 RM	2002 RM
<b>Cash flows from operating activities</b>			
Loss before taxation	(14,516,716)	(17,092,176)	(45,531)
Adjustments for:			
Interest income	(48,746)	(48,746)	-
Depreciation	1,572,732	985,941	-
Interest expense	1,303,625	1,293,150	-
Exceptional items	20,261,251	20,261,251	-
Retirement benefits	60,685	60,685	-
Amortization of goodwill	107,160	-	-
Operating profit/(loss) before working capital changes	8,739,991	5,460,105	(45,531)
(Increase)/Decrease in working capital:			
Inventories	(473,335)	(307,686)	-
Trade and other receivables	(5,667,407)	(6,342,607)	(500,000)
Trade and other payables	1,163,928	4,210,753	-
Cash generated from/(used in) operations	3,763,177	3,020,565	(545,531)
Income taxes paid	(1,260,000)	(1,260,000)	-
<b>Net cash generated from/(used in) operating activities</b>	2,503,177	1,760,565	(545,531)
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired (Note 23)	439,442	(2)	-
Listing expenses paid	(728,314)	(728,314)	(433,393)
Purchase of property, plant and equipment (ii)	(1,497,601)	(1,169,706)	-
Interest received	48,746	48,746	-
<b>Net cash used in investing activities</b>	(1,737,727)	(1,849,276)	(433,393)
<b>Cash flows from financing activities</b>			
Interest paid	(16,740)	(6,265)	-
Other payables	-	-	978,924
Proceeds from issuance of shares	9,526,000	9,526,000	-
Payment of hire purchase liability	(20,001)	(20,001)	-
<b>Net cash generated from financing activities</b>	9,489,259	9,499,734	978,924
Net increase in cash and cash equivalents	10,254,709	9,411,023	-
Cash and cash equivalents at beginning of year (i)	3	3	3
<b>Cash and cash equivalents at end of year (i)</b>	<u>10,254,712</u>	<u>9,411,026</u>	<u>3</u>

*(i) Cash and cash equivalents*

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

Cash and bank balances	1,995,966	1,152,280	3
Deposits	8,258,746	8,258,746	-
	<u>10,254,712</u>	<u>9,411,026</u>	<u>3</u>

*(ii) Purchase of property, plant and equipment*

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM160,737,601 of which RM159,000,000 was acquired by means of issuance of shares and RM325,000 was acquired by means of hire purchase.

The notes set out on pages 37 to 56 form an integral part of, and should be read in conjunction with, these financial statements.



# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous financial years except for the adoption of the following:

- (i) MASB 21, Business Combinations;
- (ii) MASB 22, Segment Reporting;
- (iii) MASB 25, Income Taxes;
- (iv) MASB 27, Borrowing Costs; and
- (v) MASB 29, Employee Benefits.

Apart from the new policies and extended disclosures where required by these new standards, there is no effect on these financial statements.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

### (b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intra group transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

### (c) Property, plant and equipment

Freehold land is stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.



**Depreciation**

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases which range from sixty six (66) to seventy five (75) years while freehold and leasehold buildings are depreciated on a straight line basis over fifty (50) years. The straight line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Plant and machinery	10%
Roads and bridges	10%
Furniture, fittings and equipment	10%
Motor vehicles	20%

**(d) Intangible assets***i) Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses [refer Note 1(l)].

Goodwill is amortised from the date of recognition over its estimated useful life of twenty (20) years.

*ii) Listing expenses*

Listing expenses comprised expenses incurred pursuant to the Corporate and Debt Restructuring Scheme. These expenses were written off against the share premium account during the year.

**(e) Investments**

Long term investments in subsidiaries are stated at cost in the Company, less impairment loss where applicable.

**(f) Trade and other receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts.

**(g) Employee benefits***i) Defined contribution plans*

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

*ii) Retirement benefits*

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

**(h) Inventories**

Inventories are stated at cost less realisable value. Cost is determined on a weighted average basis. Cost of commodities consist of cost of harvesting, direct labour, attributable manufacturing overheads and transport charges, where applicable. Costs of stores consist of the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

**(i) Cash and cash equivalents**

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



**(j) Liabilities**

Borrowings and trade and other payables are stated at cost.

**(k) Accounting for hire purchase**

Property, plant and equipment acquired under hire purchase arrangements are capitalised at their purchase cost and are depreciated on the same basis as owned assets. The total amount payable under hire purchase agreement is shown under hire purchase liability.

**(l) Impairment**

The carrying amount of assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

**(m) Income tax**

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.



**(n) Redeemable Convertible Secured Loan Stocks**

Convertible loan stocks are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible loan stock. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is included in shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible loan stocks to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

**(o) Affiliated company**

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

**(p) Revenue***ij) Goods sold and services rendered*

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from transportation service is recognised upon performance of services. Revenue from the provision of rooms, food and beverage, laundry service fees and other income are recognised when services are rendered.

*ii) Rental income*

Revenue from rental of offices and car park are recognised based on value invoiced to customer during the year.

*iii) Interest income*

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

**(q) Financing costs**

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.



## 2. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Freehold building RM	Long term leasehold land RM	Plantation development expenditure-oil palm RM	Plantation development expenditure-teak tree RM	Leasehold buildings RM	Motor vehicle and plant and machinery RM	Roads and bridges, furniture, fittings and equipment RM	Total RM
<i>Cost</i>									
At date of consolidation	-	-	-	-	-	-	-	-	-
Additions	20,770,000	46,230,000	89,626,400	-	9,944	2,373,600	1,526,166	201,491	160,737,601
Acquisition of subsidiaries	-	-	32,301,443	17,164,779	384,362	533,778	217,199	1,097,547	51,699,108
At 31 December 2003	20,770,000	46,230,000	121,927,843	17,164,779	394,306	2,907,378	1,743,365	1,299,038	212,436,709
<i>Depreciation</i>									
At date of consolidation	-	-	-	-	-	-	-	-	-
Charge for the year	-	385,250	698,165	286,079	-	24,678	104,603	73,957	1,572,732
At 31 December 2003	-	385,250	698,165	286,079	-	24,678	104,603	73,957	1,572,732
At 31 December 2003	20,770,000	45,844,750	121,229,678	16,878,700	394,306	2,882,700	1,638,762	1,225,081	210,863,977
<i>Company</i>									
<i>Cost</i>									
At 1 January 2003	-	-	-	-	-	-	-	-	-
Additions	20,770,000	46,230,000	89,626,400	-	-	2,373,600	1,251,966	157,740	160,409,706
At 31 December 2003	20,770,000	46,230,000	89,626,400	-	-	2,373,600	1,251,966	157,740	160,409,706
<i>Depreciation</i>									
At 1 January 2003	-	-	-	-	-	-	-	-	-
Charge for the year	-	385,250	519,115	-	-	19,785	55,667	6,124	985,941
At 31 December 2003	-	385,250	519,115	-	-	19,785	55,667	6,124	985,941
At 31 December 2003	20,770,000	45,844,750	89,107,285	-	-	2,353,815	1,196,299	151,616	159,423,765



## 2. PROPERTY, PLANT AND EQUIPMENT (continued)

### 2.1 Security

Freehold land and freehold building of the Group and Company is charged to AmTrustee Bhd. as security for the Redeemable Convertible Secured Loan Stocks ("RCCLS") (Note 13).

### 2.2 Assets under hire purchase

Included in the property, plant and equipment of the Group and the Company is a motor vehicle acquired under hire purchase with a net book value of RM303,332 (2002 Nil).

### 2.3 Long term leasehold land

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

## 3. INVESTMENT IN SUBSIDIARIES

	Company	
	2003 RM	2002 RM
Unquoted shares	52,500,002	-
Less: Investment written off	(2,500,000)	-
	<u>50,000,002</u>	<u>-</u>

The principal activities of the subsidiaries, their places of incorporation and the interest of Harn Len Corporation Bhd are as follows:

<u>Name of Company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Effective ownership interest</u>	
			2003 %	2002 %
Uniglobal Sdn Bhd*	Cultivation of oil palm	Malaysia	100	-
Dyna Bilion Sdn Bhd**	Dormant	Malaysia	100	-
Sportma Corporation Berhad***	Placed under provisional liquidation on 9 September 2003	Malaysia	-	-

\* The entire shares of this subsidiary have been charged to bank as security to obtain bank overdraft and term loan facilities subsequent to year end.

\*\* This subsidiary is consolidated using the management account as at 31 December 2003.

\*\*\* This subsidiary is not consolidated as it is under provisional liquidation. The Company has written off the investment in this subsidiary company as at 31 December 2003.



**4. INTANGIBLE ASSETS****Group**

	<b>Goodwill RM</b>	<b>Listing expenses RM</b>	<b>Total RM</b>
At date of consolidation	-	1,636,832	1,636,832
Add: Increased during the year	2,143,204	728,314	2,871,518
	<hr/> 2,143,204	<hr/> 2,365,146	<hr/> 4,508,350
Less: Amortisation of goodwill	(107,160)	-	(107,160)
Listing expenses written off against share premium	-	(2,365,146)	(2,365,146)
	<hr/> 2,036,044	<hr/> -	<hr/> 2,036,044
At 31 December 2003	<hr/> <hr/> 2,036,044	<hr/> <hr/> -	<hr/> <hr/> 2,036,044

**Company**

	<b>Listing expenses RM</b>
At 1 January 2002	1,203,439
Add: Increased during the year	433,393
	<hr/> 1,636,832
At 31 December 2002	1,636,832
Add: Increased during the year	728,314
Less: Listing expenses written off against share premium	(2,365,146)
	<hr/> -
At 31 December 2003	<hr/> <hr/> -

**5. INVENTORIES**

	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
Agricultural produce	66,241	66,241	-
Consumable and spares	474,693	241,445	-
	<hr/> 540,934	<hr/> 307,686	<hr/> -
	<hr/> <hr/> 540,934	<hr/> <hr/> 307,686	<hr/> <hr/> -

**6. TRADE AND OTHER RECEIVABLES**

	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
Trade receivables	1,655,918	943,841	-
Other receivables, deposits and prepayments	2,175,585	207,841	500,000
Subsidiary	-	1,970,039	-
Affiliated companies	3,720,885	3,720,885	-
	<hr/> 7,552,388	<hr/> 6,842,606	<hr/> 500,000
	<hr/> <hr/> 7,552,388	<hr/> <hr/> 6,842,606	<hr/> <hr/> 500,000



*Trade and other receivable**Group*

Included in other receivables, deposits and prepayments is an amount of RM1,967,743 which is in respect of deposit paid for a land in Johor Bahru that the Company is considering to purchase.

*Subsidiary**Company*

The amount due from subsidiary is mainly non-trade, unsecured, interest free and has no fixed terms of repayment. The non-trade amount is in respect of advances made.

*Affiliated companies**Group and Company*

The amounts due from affiliated companies are mainly in respect of advances given for the purchase of estate equipments and 10% deposit for the acquisition of companies pursuant to the Proposed Corporate Exercise as mentioned in Note 24 to the financial statements. The purchase of estate equipment was completed subsequent to year-end.

The amounts due from affiliated companies are mainly non-trade, unsecured, interest free and have no fixed terms of repayment.

**7. CASH AND CASH EQUIVALENTS**

	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
Deposits placed with licensed banks	8,258,746	8,258,746	-
Cash and bank balances	1,995,966	1,152,280	3
	<u>10,254,712</u>	<u>9,411,026</u>	<u>3</u>

*Group and Company*

Deposits placed with licensed banks amounted to RM210,000 are pledged as security for bankers guarantee.

**8. TRADE AND OTHER PAYABLES**

	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
Trade payables	3,016,402	2,092,917	-
Other payables and accrued expenses	2,146,493	2,146,493	70,004
Subsidiary	-	1,782,617	-
Affiliated companies	380,464	380,464	2,121,360
	<u>5,543,359</u>	<u>6,402,491</u>	<u>2,191,364</u>

*Subsidiary**Company*

The amount due to subsidiary is mainly non-trade, unsecured, interest free and has no fixed terms of repayment. The non-trade amount is in respect of advances made.

*Affiliated companies*

	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
The amounts due to affiliated companies comprise the following:			
- Trade	344,489	344,489	-
- Non-trade	35,975	35,975	2,121,360
	<u>380,464</u>	<u>380,464</u>	<u>2,121,360</u>

The amounts due to affiliated companies are unsecured, interest free and have no fixed terms of repayment. The non-trade amounts are mainly in respect of payments made on behalf.



## 9. BORROWINGS

Hire purchase liability is payable as follows:

	Group and Company		
	Payments 2003 RM	Interest 2003 RM	Principal 2003 RM
Less than one year	88,164	8,160	80,004
Between one and five years	154,275	14,280	139,995
	<u>242,439</u>	<u>22,440</u>	<u>219,999</u>

The hire purchase is subject to a fixed interest rate of 3.40% per annum.

## 10. SHARE CAPITAL

	Group and Company	
	2003 RM	2002 RM
Ordinary shares of RM1 each:		
Authorised		
At 1 January	100,000	100,000
Increase during the year	499,900,000	-
At 31 December	<u>500,000,000</u>	<u>100,000</u>
Issued and fully paid		
At 1 January	3	3
Issued during the year:		
- Acquisition of Sportma Corporation Berhad (i)	2,500,000	-
- Acquisition of property, plant and equipment and a subsidiary (ii)	139,689,905	-
- Rights issue (iii)	30,000,000	-
- New share issue (iv)	13,287,251	-
At 31 December	<u>185,477,159</u>	<u>3</u>

- i) The acquisition of the entire issued and paid-up share capital of Sportma Corporation Berhad ("Sportma") by Harn Len comprising 25,000,000 ordinary shares of RM1.00 each via a share swap on the basis of one (1) new ordinary share of RM1.00 each of Harn Len at par for every ten (10) existing ordinary shares of RM1.00 each of Sportma held by existing shareholders of Sportma.
- ii) The acquisitions of property, plant and equipment from the Low Nam Hui and Sons Sdn Bhd group of companies and the entire equity interest of a subsidiary of LNH Enterprise Sdn Bhd ("LNHE") satisfied by the issuance of 139,689,905 new ordinary shares of RM1.00 each of Harn Len at par.
- iii) Rights Issue of 30,000,000 new ordinary shares of RM1.00 each of Harn Len at an issue price of RM1.30 per share on the basis of twelve (12) rights shares for every one (1) Harn Len shares held by existing shareholders of Harn Len together with up to 30,000,000 free detachable warrants on the basis of one (1) warrant for every one (1) rights share subscribed.
- iv) Settlement of RM13,287,251 by Harn Len to the creditors of Sportma as part of the debt that was novated to Harn Len via issuance of 13,287,251 new ordinary shares of RM1.00 each of Harn Len at par.



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

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

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

## 11. DEFERRED TAX LIABILITIES

The amounts, determined after appropriate offsetting, as at the end of the year are as follows:

	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
Property, plant and equipment			
- capital allowances	2,360,084	231,746	-
- revaluation	3,359,925	-	-
Provisions	(16,992)	(16,992)	-
Unabsorbed capital allowances	(394,177)	-	-
Unabsorbed tax losses	(681,173)	-	-
Deferred tax on Redeemable Convertible Secured Loan Stock ("RCSLS")			
- discount on interest (Note 13)	2,438,000	2,438,000	-
Reversal of RCSLS discount	(275,180)	(275,180)	-
	<u>6,790,487</u>	<u>2,377,574</u>	<u>-</u>

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

<b>Group</b>	<b>At 1.1.2003 RM</b>	<b>Charged/ (Credited) to Income Statement at date of consolidation (Note 17) RM</b>	<b>Acquisition of subsidiary RM</b>	<b>Equity RM</b>	<b>At 31.12.2003 RM</b>
<b>Deferred tax liabilities</b>					
Property, plant and equipment	-	218,120	5,501,889	-	5,720,009
RCSLS - Equity component	-	(275,180)	-	2,438,000	2,162,820
Total	-	(57,060)	5,501,889	2,438,000	7,882,829
<b>Deferred tax assets</b>					
Unabsorbed capital allowances	-	879,897	(1,274,074)	-	(394,177)
Tax losses	-	-	(681,173)	-	(681,173)
Other provisions	-	(16,992)	-	-	(16,992)
Total	-	862,905	(1,955,247)	-	(1,092,342)



Company	At 1.1.2003 RM	Charged/ (Credited) to Income Statement at date of consolidation (Note 17) RM	Acquisition of subsidiary RM	Equity RM	At 31.12.2003 RM
<b>Deferred tax liabilities</b>					
Property, plant and equipment	-	231,746	-	-	231,746
RCSLS - Equity component	-	(275,180)	-	2,438,000	2,162,820
Total	-	(43,434)	-	2,438,000	2,394,566
<b>Deferred tax assets</b>					
Other provisions	-	(16,992)	-	-	(16,992)
Total	-	(16,992)	-	-	(16,992)

## 12. RETIREMENT BENEFITS

The Company has made a provision for retirement benefits amounting to RM60,685 in respect of retirement benefits payable to the unionised hotel employees upon their retirement. The provision made is in respect of retirement benefits accruing to the hotel employees after 1 August 2003, the date in which the Company offered the hotel employees similar terms and conditions as per their previous employment.

As the hotel employees are offered similar terms and conditions as per their previous employment, the Company will be liable for retirement benefits due to the employees prior to 1 August 2003. However, the Company has entered into an arrangement with Tropical Inn Sdn Bhd ("TISB"), the previous hotel owner of Tropical Inn whereby any retirement benefits accruing to the hotel employees from the date of employment until 31 July 2003 will be borne by TISB.

As at 31 December 2003, the total retirement benefits accruing to the hotel employees is RM900,640 of which RM60,685 is recognized by the Company while the remaining amount of RM839,955 will be due to the Company from TISB upon the hotel employee retiring. Accordingly, the remaining balance of RM839,955 has not been recognized in the financial statements.

## 13. REDEEMABLE CONVERTIBLE SECURED LOAN STOCK ("RCSLS")

The Company has issued RM44,310,095 nominal value of 1.5% five (5) year 2003/2008 Redeemable Convertible Secured Loan Stock ("RCSLS") of Harn Len at 100% nominal value of RM1.00 each pursuant to the Corporate and Debt Restructuring Scheme of Sportma. The RCSLS are attached with 44,310,095 free detachable Warrants 2003/2008 ("Warrant"), on the basis of one (1) free detachable Warrant for every one (1) nominal value of RCSLS. The Warrants are convertible into RM1.00 new ordinary share of Harn Len each at par any time upon issue within a period of five (5) years from the date of issuance of the Warrants.

The RCSLS has a conversion feature which allows the holder of RCSLS to convert one (1) RCSLS into one (1) new ordinary share of Harn Len of RM1.00 each per share at par value, unless the RCSLS is redeemed.

The RCSLS must be redeemed at the redemption date unless the RCSLS was converted before each due date.



The conversion or redemption of the RCSLS is based on the following:

Conversion/ Redemption date	Proportion	Conversion value	Redemption value
End of: Second year	20%	8,862,000	9,130,000
Third year	20%	8,862,000	9,266,000
Fourth year	30%	13,293,000	14,109,000
Fifth year	30%	13,293,095	14,319,095

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible loan stocks to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

The RCSLS are accounted for in the balance sheets of the Group and of the Company as follows:

		<b>Group and Company 2003 RM</b>
Nominal value of RCSLS	Note	44,310,095
Equity component, net of deferred tax		(6,268,000)
Deferred tax liability		(2,438,000)
		<hr/>
Liability component at date of issue		35,604,095
RCSLS interest	16	304,101
RCSLS discount	16	982,784
		<hr/>
Liability component as at 31 December		<u>36,890,980</u>

The RCSLS is secured by way of fixed charges over the freehold land and freehold building of the Company (see Note 2).

The redemption value of the RCSLS is higher due to the inclusion of additional 1.5% per annum compounded interest should the RCSLS is redeemed instead of converted.

#### 14. OPERATING LOSS

		<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
<b>Revenue</b>	- sale of agricultural produce	25,829,007	20,561,987	-
	- hotel operations	2,216,387	2,216,387	-
	- rental	1,003,252	1,003,252	-
	- transport	491,941	491,941	-
		<hr/>	<hr/>	<hr/>
		29,540,587	24,273,567	-
		<hr/>	<hr/>	<hr/>
Cost of sales of agricultural produce		13,348,605	11,310,217	-
Cost of services		1,119,371	1,119,371	-
		<hr/>	<hr/>	<hr/>
		14,467,976	12,429,588	-
		<hr/>	<hr/>	<hr/>
<b>Gross profit</b>		<u>15,072,611</u>	<u>11,843,979</u>	<u>-</u>



	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
<b>Gross profit</b>	15,072,611	11,843,979	-
Administration expenses	(7,340,327)	(6,834,346)	(45,531)
Distribution costs	(651,439)	(624,179)	-
Other operating expenses			
- exceptional items	(20,261,251)	(20,261,251)	-
- others	(109,456)	-	-
Other operating income	28,025	28,025	-
Operating loss	<u>(13,261,837)</u>	<u>(15,847,772)</u>	<u>(45,531)</u>
<b>Operating loss is arrived at after charging:</b>			
Auditors' remuneration	63,000	50,000	2,000
Amortization of goodwill (Note 4)	107,160	-	-
Depreciation (Note 2)	1,572,732	985,941	-
Directors remuneration:			
- Emoluments	1,949,978	1,949,978	-
- Fees	75,000	75,000	-
Exceptional items:			
- Novation of debts written off	17,761,251	17,761,251	-
- Investment written off	2,500,000	2,500,000	-
Rental of premises	9,000	9,000	-
Retirement benefits	79,999	79,999	-
<b>and after crediting:</b>			
Interest income	48,746	48,746	-
Management fee receivable	15,000	15,000	-

The estimated monetary value of the Directors' benefits-in-kind is RM15,720 (2002 Nil).

#### 15. EMPLOYEE INFORMATION

	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
Staff costs	2,076,077	1,868,311	-
Employees provident fund	322,921	313,529	-
	<u>2,398,998</u>	<u>2,181,840</u>	<u>-</u>

The average number of employees of the Group and of the Company (including Directors) during the year is 230 and 172 (2002 - Nil) respectively.

#### 16. INTEREST EXPENSE

	<b>Note</b>	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
Redeemable Convertible Secured Loan Stock				
- interest	13	304,101	304,101	-
- discount	13	982,784	982,784	-
Others		16,740	6,265	-
		<u>1,303,625</u>	<u>1,293,150</u>	<u>-</u>



**17. TAX EXPENSE**

	<b>Group 2003 RM</b>	<b>Company 2003 RM</b>	<b>2002 RM</b>
Income tax expense			
- current year provision	1,300,542	1,300,542	-
Deferred tax expense			
Origination and reversal of temporary differences	1,081,025	214,754	-
Reversal of deferred tax on recognition of interest on Redeemable Convertible Secured Loan Stock ("RCSLS") discount	(275,180)	(275,180)	-
	<u>2,106,387</u>	<u>1,240,116</u>	<u>-</u>

**Reconciliation of effective tax rate**

	<b>%</b>	<b>Group 2003 RM</b>	<b>%</b>	<b>Company 2003 RM</b>
Loss before taxation		(14,516,716)		(17,092,176)
Income tax using Malaysian tax rates	(28.0)	(4,064,680)	(28.0)	(4,785,809)
Non-deductible expenses	44.4	6,446,247	36.9	6,301,105
	16.4	2,381,567	8.9	1,515,296
Reversal of deferred tax on recognition of interest on RCSLS discount	(1.9)	(275,180)	(1.6)	(275,180)
Tax expense	<u>14.5</u>	<u>2,106,387</u>	<u>7.3</u>	<u>1,240,116</u>

**18. LOSS PER ORDINARY SHARE - GROUP****Basic loss per share**

The calculation of basic loss per share is based on the net loss for the year of RM16,623,103 and the weighted average number of ordinary shares outstanding during the year of 85,245,715.

**Weighted average number of ordinary shares**

	<b>2003 RM</b>
Issued ordinary shares at beginning of the year	3
Effect of shares issued on 23 May 2003	1,527,397
Effect of shares issued on 18 July 2003	83,718,315
Weighted average number of ordinary shares	<u>85,245,715</u>

**Diluted loss per share**

The calculation of diluted loss per share is based on the net loss attributable to ordinary shareholders for the year of RM14,524,744 and the weighted average number of ordinary shares outstanding during the year of 105,519,101 calculated as follows:

**Net loss attributable to ordinary shareholders (diluted)**

	<b>2003 RM</b>
Net loss attributable to ordinary shareholders	(16,623,103)
After tax effect of notional interest savings	2,098,359
Net loss attributable to ordinary shareholders (diluted)	<u>(14,524,744)</u>



**Weighted average number of ordinary shares (diluted)**

	<b>2003 RM</b>
Weighted average number of ordinary shares as above	85,245,715
Effect of redeemable convertible secured loan stock	20,273,386
Effect of warrants	-
	<hr/>
Weighted average number of ordinary shares (diluted)	<u>105,519,101</u>

The effect of warrants is not included in the computation of the diluted loss per share as the exercise price is higher than the average market value for the financial year, which would result in an anti-dilutive situation.

**19. SEGMENTAL INFORMATION**

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

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

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

**Business segments**

The Group comprises the following main business segments:

Plantation	The cultivation of oil palm
Property	Property investment
Transport	Provision of transport services
Hotel	Hotel business

**Geographical segments**

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



**19. SEGMENTAL INFORMATION (continues)**

	<b>Plantations 2003 RM</b>	<b>Property 2003 RM</b>	<b>Transport 2003 RM</b>	<b>Hotel 2003 RM</b>	<b>Investment holding 2003 RM</b>	<b>Eliminations 2003 RM</b>	<b>Consolidated 2003 RM</b>
Revenue from external customers	25,829,007	1,003,252	491,941	2,216,387	-	-	29,540,587
Segment result	10,713,513	(700,914)	296,161	415,752	(23,986,349)	-	(13,261,837)
Interest expense	(14,700)	-	-	-	(1,288,925)	-	(1,303,625)
Interest income	-	-	-	-	48,746	-	48,746
Loss before taxation							(14,516,716)
Tax expense							(2,106,387)
<b>Net loss for the year</b>							<b>(16,623,103)</b>
Segment assets	149,493,597	68,896,063	-	1,102,247	11,756,148	-	231,248,055
Segment liabilities	3,310,404	544,379	-	616,821	38,243,044	-	42,714,648
Unallocated liabilities	-	-	-	-	-	-	6,831,029
Capital expenditure	144,953,969	67,000,000	-	-	482,740	-	212,436,709
Depreciation and amortisation	1,159,690	385,250	-	-	27,792	-	1,572,732
Non-cash expenses other than depreciation and amortisation	-	-	-	60,685	20,368,411	-	20,429,096

**20. CAPITAL COMMITMENT**

	<b>Group and Company</b>	
	<b>2003 RM</b>	<b>2002 RM</b>
Property, plant and equipment		
Contracted but not provided for in the financial statements	1,838,000	-
Investments		
Contracted but not provided for in the financial statements	49,693,000	-
	<u>51,531,000</u>	<u>-</u>



**21. RELATED PARTIES**

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

	<b>Group and Company 2003 RM</b>
Affiliated companies	
Low Nam Hui & Sons Sdn Bhd	
- Sales commission payable	(37,429)
- Management fees payable	(42,188)
- Management fees receivable	15,000
Pengangkutan Low Nam Hui Sdn Bhd	
- Transport charges payable	(445,674)
- Purchases	(133,408)
- Sales	49,899
Seri Cemerlang Plantation (Pahang) Sdn Bhd	
- Purchases	(6,663,038)
- Transport income receivable	248,196
- Sales	1,110
Nusantara Daya Sdn Bhd	
- Deposit paid	<u>(1,967,743)</u>

Balances with affiliated companies at balance sheet date are disclosed in Note 6 and Note 8 respectively.

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

**22. FINANCIAL INSTRUMENTS****Financial risk management objectives and policies**

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

**Credit risk**

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

**Foreign currency risk**

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

**Interest rate risk**

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

**Liquidity risk**

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.



The following table shows information about the Group and the Company's exposure to interest rate risk.

#### **Effective interest rates and repricing analysis**

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

Group and Company	Effective interest rate per annum %	2003			Effective interest rate per annum %	2002		
		Total RM	Within 1 year RM	1-5 years RM		Total RM	Within 1 year RM	1-5 years RM
<b>Financial asset</b>								
Deposits placed with licensed banks	3.0	8,258,746	8,258,746	-	-	-	-	-
<b>Financial liability</b>								
Redeemable convertible secured loan stock	7.9	36,890,980	-	36,890,980	-	-	-	-

#### **Fair values**

##### **Recognised financial instruments**

In respect of trade and other receivables, cash and cash equivalents and trade and other payables, the carrying amounts approximate fair values due to the relatively short term nature of these financial instruments.

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

	2003 Carrying amount RM	2003 Fair value RM
<b>Company</b>		
<b>Financial assets</b>		
Unquoted shares long term	50,000,002	50,000,002
<b>Financial liabilities</b>		
Retirement benefits	60,310	60,310
Redeemable Secured Loan Stock	36,890,980	44,310,950

It is not practical to estimate the fair value of the Company's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

For other financial instruments listed above, fair value has been determined by discounting the relevant cash flows using current effective interest rates for similar instruments at the balance sheet date.

## **23. ACQUISITION OF SUBSIDIARIES**

On 25 July 2003, the Group acquired all the shares in Uniglobal Sdn Bhd for a consideration of RM50,000,000 satisfied by the issuance of 50,000,000 new ordinary shares of RM1.00 each of Harn Len at par. The acquisition was accounted for using the acquisition method of accounting. For the period from the date of completion to 31 December 2003, the subsidiary contributed a net profit of RM1,906,226 to the consolidated net loss for the year.

On 13 October 2003, the Group acquired all the shares in Dyna Bilion Sdn Bhd for a cash consideration of RM2. The acquisition was accounted for using the acquisition method of accounting. The effect of the contribution of the subsidiary to the consolidated net loss for the year is immaterial as the subsidiary is dormant.



**Effect of acquisition**

The acquisition had the following effect on the Group's assets and liabilities as at 31 December 2003.

	<b>Acquisition 2003 RM</b>
Property, plant and equipment	51,699,108
Current assets	1,892,020
Current liabilities	(2,187,688)
Long term liabilities	(3,546,642)
Net assets acquired	47,856,798
Goodwill on acquisition	2,143,204
Total purchase consideration	50,000,002
Less: Consideration satisfied by issuance of shares	(50,000,000)
Consideration satisfied by cash	(2)
	<hr/>
	-
Less: Cash of Uniglobal Sdn Bhd	(439,442)
Cash flow on acquisition, net of cash acquired	(439,442)
	<hr/> <hr/>

**24. SIGNIFICANT EVENT DURING THE YEAR****Corporate and Debt Restructuring Scheme**

As mentioned in the previous year's financial statements, the Company was involved in the Corporate and Debt Restructuring Scheme ("Scheme") of Sportma Corporation Berhad ("Sportma") that was approved by the Securities Commission ("SC"), Foreign Investment Committee ("FIC"), Ministry of International Trade and Industry ("MITI") and MSEB.

On 23 May 2003, Harn Len completed a share swap with Sportma, whereby the existing 25,000,000 Sportma shares were exchanged with 2,500,000 Harn Len shares on the basis of one (1) Harn Len share for every ten (10) existing Sportma shares held.

On 18 July 2003, the following allotment of debt and equity securities were issued as part of the Scheme:

- a) 139,689,905 Harn Len shares of RM1.00 each to Syarikat Senang Oil Palm Estate Sdn Bhd ("SSOP"), Lian Hup Manufacturing Company Sdn Berhad ("Lian Hup") and Perdana Properties Berhad ("PPB") for the purchase of property, plant and equipment; and LNH Enterprise Sdn Bhd ("LNHE") for the purchase of the entire shareholdings in Uniglobal Sdn Bhd ("Uniglobal"). ("SSOP, Lian Hup, PPB and LNHE" are collectively known as "Vendors");
- b) 7,327,692 Harn Len shares of RM1.00 each, representing the underwritten portion of the rights issue under the Scheme, were issued at an issue price of RM1.30 per share raising an amount of RM9,526,000 in cash. 7,327,692 free detachable warrants on the basis of one (1) warrant for every one (1) Harn Len share were issued in connection with the rights issue;
- c) 3,441,538 Harn Len shares of RM1.00 each at an issue price of RM1.30 per share to creditors of Sportma pursuant to a novation of debt of RM17,761,251 under the Scheme together with 3,441,538 free detachable warrants on the basis of one (1) warrant for every one (1) Harn Len share issued;
- d) 19,230,770 Harn Len shares of RM1.00 each at an issue price of RM1.30 per share to the creditors of Sportma on behalf of the Vendors together with 19,230,770 free detachable warrants on the basis of one (1) warrant for every one (1) Harn Len share issued;
- e) 13,287,251 Harn Len shares of RM1.00 each to creditors of Sportma pursuant to a novation of debt under the Scheme as mentioned in Note (c) above; and



- f) RM44,310,095 nominal amount of 1.5% five (5) year 2003/2008 of Redeemable Convertible Secured Loan Stock at 100% nominal value in Harn Len together with 44,310,095 free detachable warrants to Danaharta Managers Sdn Bhd

The entire 185,477,159 Harn Len shares together with the 74,310,095 Harn Len warrants were successfully listed on the Second Board of MSEC on 25 July 2003.

### ***Proposed Corporate Exercise***

On 22 December 2003, Hwang-DBS Securities Berhad on behalf of the Company issued a Circular to Shareholders in relation to:

- a) Proposed acquisitions of the entire issued and paid up share capital of Desamawar Runding Sdn Bhd ("DRSB"), Pelita Pertama Sdn Bhd ("PPSB") and Suen Tai (Sabah) Sdn Bhd ("STSB") from LNHE for a total cash consideration of RM27,579,462;
- b) Proposed acquisition of estate equipments from Lian Hup and SSOP for a total cash consideration of RM1,415,000;
- c) Proposed subscription by Harn Len of 16,024,010 new ordinary shares of RM1.00 each in Masranti Plantation Sdn Bhd ("MPSB") at an issue price of RM1.38 per share for a cash consideration of RM22,113,134; and
- d) Proposed management agreement between Tropical Inn Sdn Bhd ("TISB") and Harn Len to appoint TISB as the Manager and Operator of a hotel known as "Tropical Inn"

(collectively referred to as the "Proposals").

The above proposed corporate exercise will be funded by bank borrowings. On 16 December 2003, the Company obtained bank overdraft and term loan facilities amounting to RM54,800,000.

## **25. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE**

### ***Proposed corporate exercise***

On 6 January 2004, an extraordinary general meeting ("EGM") was held to approve the Proposals as mentioned in Note 24. At the EGM, the shareholders have approved the Proposals.

On 15 January 2004, the item (c) of the Proposals was completed when the Company subscribed for 16,024,010 new ordinary shares of RM1.00 each in Masranti Plantation Sdn Bhd ("MPSB") at an issue price of RM1.38 per share by way of cash. Consequently, MPSB became a subsidiary of the Company.

On 2 February 2004, item (b) and (d) of the Proposals were completed when the Company acquired the estate equipments by way of cash.

As at the date of this financial statements, item (a) of the Proposals remain uncompleted.

### ***Bank overdraft and term loan facilities***

On 8 January 2004, the Company has drawdown an amount of RM22,200,000 to finance the subscription of shares in MPSB. On 24 February 2004, the Company has drawdown the remaining term loan and bank overdraft of RM27,600,000 and 5,000,000 respectively to finance the acquisition of the entire issued and paid up share capital of DRSB, PPSP and STSB and for working capital purposes.

## **26. COMPARATIVE FIGURES**

There are no comparative figures for the consolidated financial statements as this is the first set of consolidated financial statements prepared.



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# List of Properties

Registered owner/ Location	Tenure	Area	Year of Expiry (For leasehold)	Description/ Existing Use	Net Book Value (000's)	Age of Building (years)	Date of Acquisition
<b><u>Properties owned by Harn Len</u></b>							
1. Lot 1782, Geran 27393 Township & District of Johor Bahru, Johor Darul Takzim	Freehold	40,293 sq. ft	Freehold	Office & hotel building	66,615	25	18.07.2003
2. Lian Hup Estate - Lot PT 166, 259 - Lot PT 313 - Lot PT 345 - Lot PT 510, 521, 522 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur	Leasehold	2,124.46 Hectares ("ha")	2070 2072 2074 2079	Oil Palm Plantation & Palm oil mill	43,825	N/A	18.07.2003
3. Senang Estate - Lot PT 163, 164, 165, 255 - Lot PT 314 - Lot PT 448, 449, 450, 451 - Lot PT 515 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur	Leasehold	2,116.31 ha	2070 2072 2078 2078	Oil Palm Plantation	45,282	N/A	18.07.2003
<b><u>Properties owned by Uniglobal Sdn Bhd</u></b>							
Uniglobal Estate - CL 115345401 - CL 115378115 District of Lahad Datu, Sabah	Leasehold	2,023 ha 386.80 ha	2077 2084	Oil palm Plantation	32,122 187,844	N/A	18.07.2003

N/A Not Applicable



# Analysis of Shareholdings

as at 19 April 2004

AUTHORISED SHARE CAPITAL : RM500,000,000 ordinary shares of RM1-00 each  
 ISSUED AND FULLY PAID-UP CAPITAL : RM185,477,159 divided into 185,477,159 shares  
 CLASS OF SHARES : Ordinary shares of RM1-00 each  
 NO OF SHAREHOLDERS : 3,808  
 VOTING RIGHTS : One vote per ordinary share

## A) LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name Of Shareholders	Direct		Deemed interest in shares	
		No of shares	%	No. of shares	%
1.	Tan Sri Dato' Low Nam Hui	-	-	97,792,097 <sup>*1,4</sup>	52.72
2.	Dato' Liew Kuek Hin	-	-	97,662,097 <sup>*2,5</sup>	52.65
3.	Low Quek Kiong	20,000	0.01	97,772,097 <sup>*1</sup>	52.71
4.	Low Kueck Shin	-	-	97,792,097 <sup>*1,5</sup>	52.72
5.	Low Kwek Lee	-	-	97,662,097 <sup>*2,5</sup>	52.65
6.	Low Kuek Kong	-	-	97,662,097 <sup>*2,5</sup>	52.65
7.	Low Kuit Son	-	-	97,662,097 <sup>*2,5</sup>	52.65
8.	Low Ah Moi @ Chee Ing	-	-	97,662,097 <sup>*2,5</sup>	52.65
9.	Low Yok En	-	-	97,662,097 <sup>*2,5</sup>	52.65
10.	Low Mee Yeen	-	-	97,662,097 <sup>*2,5</sup>	52.65
11.	Low Nam Hui & Sons Sdn Bhd	4,628,992	2.50	63,302,421 <sup>*3</sup>	34.13
12.	Lian Hup Manufacturing Company Sdn Berhad	30,513,830	16.45	-	-
13.	Syarikat Senang Oil Palm Estate Sdn Bhd	30,513,830	16.45	-	-
14.	LNH Enterprise Sdn Bhd	29,710,684	16.02	-	-
15.	Pengurusan Danaharta Nasional Berhad	27,568,857	14.86	-	-

### Note:-

- \*1 By virtue of their interest in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd & Low Nam Hui (C & E) Sdn Berhad pursuant to Section 6A of the Companies Act, 1965.
- \*2 By virtue of their interest in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd & LNH Enterprise Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- \*3 By virtue of its interest in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Shd Bhd & Perdana Properties Berhad.
- \*4 By virtue of the shares held by his son, Low Quek Kiong
- \*5 By virtue of the shares held by his/her brother, Low Quek Kiong



**B) LIST OF DIRECTORS' SHAREHOLDINGS**

No.	Name Of Shareholders	Direct		Deemed interest in shares	
		No of shares	%	No. of shares	%
1.	Tan Sri Dato' Low Nam Hui	-	-	97,792,097 <sup>*1,3</sup>	52.72
2.	Dato' Liew Kuek Hin	-	-	97,662,097 <sup>*2,4</sup>	52.65
3.	Low Quek Kiong	20,000	0.01	97,772,097 <sup>*1</sup>	52.71
4.	Low Kueck Shin	-	-	97,792,097 <sup>*1,4</sup>	52.72
5.	Low Kwek Lee	-	-	97,662,097 <sup>*2,4</sup>	52.65
6.	Low Kuek Kong	-	-	97,662,097 <sup>*2,4</sup>	52.65
7.	Loh Wann Yuan	-	-	1	-
8.	Lee Chon Sing	-	-	1	-
9.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
10.	Law Piang Woon	-	-	-	-

**Note :**

- \*1 By virtue of their interest in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd & Low Nam Hui (C & E) Sdn Berhad pursuant to Section 6A of the Companies Act, 1965.
- \*2 By virtue of their interest in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd & LNH Enterprise Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- \*3 By virtue of the shares held by his son, Low Quek Kiong
- \*4 By virtue of the shares held by his brother, Low Quek Kiong

**C) DISTRIBUTION OF SHAREHOLDINGS**

No of Holders	Holdings	Total Holdings	%
22	Less than 100	397	0.0002
1,664	100 to 1,000	489,138	0.2637
1,638	1,001 to 10,000	7,446,692	4.0149
433	10,001 to 100,000	12,960,688	6.9878
45	100,001 to less than 5% of issued shares	57,222,351	30.8515
6	5% and above of issued shares	107,357,893	57.8820



**D) TOP 30 LARGEST SHAREHOLDERS**

No.	Name	No. Of Shares Held	Percentage (%)
1.	AMANAH RAYA BERHAD	30,000,000	16.1745
2.	PENGURUSAN DANAHARTA NASIONAL BERHAD	19,098,306	10.2969
3.	PAB NOMINEE (TEMPATAN) SDN BHD - Pledged securities account for Sportma Corporation Bhd	18,210,961	9.8184
4.	AMANAH RAYA BERHAD	15,000,000	8.0872
5.	LNH ENTERPRISE SDN BHD	12,855,342	6.9310
6.	LNH ENTERPRISE SDN BHD	12,193,284	6.5740
7.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - Danaharta Managers Sdn Bhd (non-trade)	6,787,251	3.6593
8.	LIAN HUP MANUFACTURING COMPANY SDN. BERHAD	5,907,944	3.1853
9.	SYARIKAT SENANG OIL PALM ESTATE SDN BHD	5,907,944	3.1853
10.	LOW NAM HUI & SONS SDN BHD	4,628,992	2.4957
11.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - Danaharta Managers Sdn Bhd for Lian Hup Manufacturing Company Sdn Berhad	4,430,000	2.3884
12.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - Danaharta Managers Sdn Bhd for Syarikat Senang Oil Palm Estate Sdn Bhd	4,430,000	2.3884
13.	ALLIANCE BANK MALAYSIA BERHAD	2,662,337	1.4354
14.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - Pengurusan Danaharta Nasional Berhad	2,488,561	1.3417
15.	CRMC (MALAYSIA) SDN BHD	2,284,500	1.2317
16.	PERDANA PROPERTIES BERHAD	2,225,780	1.2000
17.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - RHB Bank Berhad	1,968,232	1.0612
18.	STANDARD CHARTERED BANK MALAYSIA BERHAD	1,589,823	0.8572
19.	BDO CAPITAL CONSULTANTS SDN BHD	1,574,030	0.8486
20.	AMSEC NOMINEES (TEMPATAN) SDN BHD - AMFinance Berhad	1,444,951	0.7790
21.	APEX ACHIEVEMENT SDN BHD	1,205,500	0.6499
22.	AMMERCHANT BANK BERHAD	971,087	0.5236



No.	Name	Shares Held	(%)
23.	TASEC NOMINEES (TEMPATAN) SDN BHD - TA First Credit Sdn Bhd for insular Mart Sdn Bhd	800,000	0.4313
24.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD - Amanah Saham Johor	549,900	0.2965
25.	HDM NOMINEE (TEMPATAN) SDN BHD - Pledged securities account for Hong Chin Huat	540,000	0.2911
26.	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Aseambankers Malaysia Berhad	418,140	0.2254
27.	KOH LEE HUAT	334,000	0.1801
28.	TCL NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for The Ordinary Company Sdn Bhd	310,000	0.1671
29.	SAW KHOON SEOH	300,000	0.1617
30.	GALLANT INDUSTRIES (M) SDN BHD	248,378	0.1339



# Analysis of Warrantholdings

as at 19 April 2004

VOTING RIGHTS : One (1) Vote Per Warrant (In the meeting of Warrantheolders)  
 NUMBER OF WARRANTS ISSUED : 74,310,095  
 NUMBER OF HOLDERS : 898

## A. Distribution of Warrantholdings

<u>No. of Holders</u>	<u>Holdings</u>	<u>Total Holdings</u>	<u>Percentage (%)</u>
11	Less than 100	470	0.0006
55	100 to 1,000	37,477	0.0504
589	1,001 to 10,000	2,538,564	3.4162
214	10,001 to 100,000	6,633,512	8.9268
25	100,001 to less than 5% of issued warrants	6,881,486	9.2605
4	5% and above of issued warrants	58,218,586	78.3455
Total:	898	74,310,095	100.0000

## B. List of 30 Largest Warrantheolders

No	Name	No. of Warrants Held	Percentage (%)
1.	PERDANA PROPERTIES BERHAD	42,675,695	57.4292
2.	PAB NOMINEE (TEMPATAN) SDN BHD - Pledged securities account for Sportma Corporation Bhd	5,475,832	7.3689
3.	PENGURUSAN DANAHARTA NASIONAL BERHAD	5,438,067	7.3181
4.	LOW NAM HUI & SONS SDN BHD	4,628,992	6.2293
5.	ONG WAN CHIN	661,000	0.8895
6.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - RHB Bank Berhad	646,722	0.8703
7.	STANDARD CHARTERED BANK MALAYSIA BERHAD	522,384	0.7030
8.	BDO CAPITAL CONSULTANTS SDN BHD	517,198	0.6960
9.	AMSEC NOMINEES (TEMPATAN) SDN BHD - AMFinance Berhad	474,782	0.6389
10.	TENG HOCK HENG	375,900	0.5059
11.	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Thee Chiu Un	318,600	0.4287
12.	LIM FOK CHOU	296,600	0.3991



No	Name	No. of Warrants Held	Percentage (%)
13.	KOH LEE HUAT	252,000	0.3391
14.	YEAP KOK ENG	250,000	0.3364
15.	ABDUL JABBAR B MOHD HANIFAH	210,000	0.2826
16.	CHONG KOK CHENG	210,000	0.2826
17.	TAN YONG TIAN	208,100	0.2800
18.	HEE CHAN WA	200,000	0.2691
19.	LEE HWAI CHUEN	200,000	0.2691
20.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Yap Swee Hang	194,000	0.2611
21.	LIM MENG HUAT	190,000	0.2557
22.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD - Amanah Saham Johor	184,100	0.2477
23.	LEE SENG @ LEE SENG CHOR	180,000	0.2422
24.	TENG CHEE PHONG	164,000	0.2207
25.	AMSEC NOMINEES (ASING) SDN BHD - Kim Eng Securities Pte Ltd for Michele Sharmini	150,000	0.2019
26.	YEAP GEK SEE	149,100	0.2006
27.	AMSEC NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Keng Tiam Ee @ Keng Thiam Ee	120,000	0.1615
28.	KONG CHOON BEE	105,000	0.1413
29.	NG SIEW LIM	102,000	0.1373
30.	KAN BAK NGUANG @ KHOR BAK NGUANG	100,000	0.1346



### C. Statement Of Directors' Interests In The Company

#### WARRANTS 2003/2008

Directors	Warrants 2003/2008			
	Direct Interest		Deemed Interest	
	No. of warrants	%	No. of warrants	%
Tan Sri Dato' Low Nam Hui	-	-	47,304,687 <sup>*1</sup>	63.66
Low Quek Kiong	-	-	47,304,687 <sup>*1</sup>	63.66
Low Kueck Shin	-	-	47,304,687 <sup>*1</sup>	63.66
Dato' Liew Kuek Hin	-	-	47,304,687 <sup>*1</sup>	63.66
Low Kwek Lee	-	-	47,304,687 <sup>*1</sup>	63.66
Low Kuek Kong	-	-	47,304,687 <sup>*1</sup>	63.66
Loh Wann Yuan	-	-	-	-
Lee Chon Sing	-	-	-	-
Brig. Jen (B) Dato' Ali Bin Hj. Musa	-	-	-	-
Law Piang Woon	-	-	-	-

#### Notes:

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



# HARN LEN CORPORATION BHD

(Incorporated in Malaysia Co. No. 502606-H)

## FORM OF PROXY

I/We \_\_\_\_\_ [NRIC NO: \_\_\_\_\_] of \_\_\_\_\_

\_\_\_\_\_ being a member/ members of **HARN LEN CORPORATION BHD** (Co. No. 502606-H) do

hereby appoint \_\_\_\_\_ [NRIC NO: \_\_\_\_\_]

of \_\_\_\_\_ or failing him \_\_\_\_\_

\_\_\_\_\_ [NRIC NO: \_\_\_\_\_]

of \_\_\_\_\_ as \* my/our proxy to attend and to vote

for \* me/us on \* my/our behalf at the Fourth Annual General Meeting of the Company to be held on Friday, the

11th day of June, 2004 at 11.00 a.m. at Hall 4, Fourth Floor, Johor Tower (Tropical Inn) Jalan Gereja, 80100 Johor Bahru and

at any adjournment thereof. \* My / our proxy is to vote as indicated below :

No.	RESOLUTION	FOR	AGAINST
1.	Adoption of Audited Financial Statements and Reports		
2.	Approval of Directors' Fees		
3.	Re-election of Director - Mr Loh Wann Yuan		
4.	Re-election of Director - Mr Lee Chon Sing		
5.	Re-election of Director - Dato' Liew Kuek Hin		
6.	Re-election of Director - Mr Law Piang Woon		
7.	Re-appointment of Director - Tan Sri Dato' Low Nam Hui		
8.	Re-appointment of Messrs KPMG as Auditors		
9.	Special Business: authorisation to the Board to issue shares under Section 132D of the Companies Act, 1965		

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

Number of shares held

\_\_\_\_\_  
Signature of Member / Members

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

### Note :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same Meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
4. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or 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.

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The Company Secretary  
**Harn Len Corporation Bhd**  
6th Floor, Johor Tower  
15 Jalan Gereja  
80100 Johor Bahru

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