



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

**ANNUAL REPORT 2011**



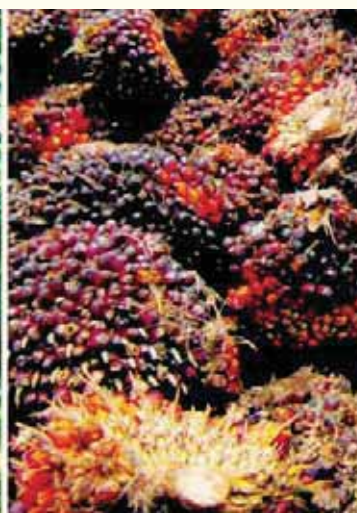


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(502606-H)

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# CONTENTS

<b>02 - 07</b>	<b>NOTICE OF ANNUAL GENERAL MEETING</b>
<b>08</b>	<b>STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING</b>
<b>09 - 10</b>	<b>KEY STATISTICS</b>
<b>11</b>	<b>CORPORATE INFORMATION</b>
<b>12 - 14</b>	<b>PROFILE OF DIRECTORS</b>
<b>15 - 17</b>	<b>CHAIRMAN'S STATEMENT</b>
<b>18 - 22</b>	<b>STATEMENT OF CORPORATE GOVERNANCE</b>
<b>23 - 25</b>	<b>REPORT OF THE AUDIT COMMITTEE</b>
<b>26 - 27</b>	<b>STATEMENT OF INTERNAL CONTROL</b>
<b>28</b>	<b>ADDITIONAL COMPLIANCE INFORMATION</b>
<b>29 - 93</b>	<b>FINANCIAL STATEMENTS 2011</b>
<b>94</b>	<b>GROUP CORPORATE STRUCTURE</b>
<b>95 - 96</b>	<b>LIST OF PROPERTIES OF THE GROUP</b>
<b>97 - 99</b>	<b>ANALYSIS OF SHAREHOLDINGS</b>
<b>101</b>	<b>FORM OF PROXY</b>





# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth (12<sup>th</sup>) Annual General Meeting of Harn Len Corporation Bhd ("Harn Len" or "the Company") (502606-H) will be held at Meranti Hall, 4<sup>th</sup> Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru on Tuesday, the 26<sup>th</sup> day of June, 2012 at 11.00 a.m. for the following purposes:-

## Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. *Please refer to explanatory note 1*
2. To approve the payment of Directors' fees for the financial year ended 31 December 2011. **(Resolution 1)**
3. To re-elect the Directors who retire in accordance with Article 84 of the Articles of Association of the Company:-
  - i) Mr Low Quek Kiong **(Resolution 2)**
  - ii) Mr Low Kueck Shin **(Resolution 3)**
4. To re-appoint the Directors over the age of 70, pursuant to Section 129(6) of the Companies Act, 1965:-
  - i) Tan Sri Dato' Low Nam Hui **(Resolution 4)**
  - ii) Mr Lee Chon Sing **(Resolution 5)**
  - iii) Mr Law Piang Woon **(Resolution 6)**
5. To re-appoint the retiring Auditors, Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2012 and to authorise the Directors to fix their remuneration. **(Resolution 7)**

## Special Business:-

To consider, and if thought fit, pass with or without modification(s), the following Ordinary Resolutions:-

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

"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."

7. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH SERI CEMERLANG PLANTATION (PAHANG) SDN BHD ("Proposed Shareholders' Mandate 1") **(Resolution 9)**

"That, subject always to the Bursa Malaysia Listing Requirements, the Company and/or its subsidiary shall be mandated to enter into the category of recurrent transactions of a revenue or trading nature as specified in Section 2.6 of the Circular dated 1 June 2012 with Seri Cemerlang Plantation (Pahang) Sdn Bhd subject further to the following:-

- (i) the recurrent related party transactions are in the ordinary course of business which are necessary for the day to day operations and are on terms not more favourable than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the shareholders;
- (ii) disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Bursa Malaysia Listing Requirements and as set out in Section 2.6 of the Circular dated 1 June 2012;



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

(iii) that the shareholders' mandate shall continue in force until:-

- (a) the date of the next Annual General Meeting of the Company at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965; or
- (c) revoked or varied by resolution passed by the shareholders on general meeting;

whichever is the earlier; and

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

8. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH PENGANGKUTAN LOW NAM HUI SDN BHD ("Proposed Shareholders' Mandate 2") **(Resolution 10)**

"That, subject always to the Bursa Malaysia Listing Requirements, the Company and/or its subsidiary shall be mandated to enter into the category of recurrent transactions of a revenue or trading nature as specified in Section 2.6 of the Circular dated 1 June 2012 with Pengangkutan Low Nam Hui Sdn Bhd subject further to the following:-

- (i) the recurrent related party transactions are in the ordinary course of business which are necessary for the day to day operations and are on terms not more favourable than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the shareholders;
- (ii) disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Bursa Malaysia Listing Requirements and as set out in Section 2.6 of the Circular dated 1 June 2012;

(iii) that the shareholders' mandate shall continue in force until:-

- (a) the date of the next Annual General Meeting of the Company at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965; or
- (c) revoked or varied by resolution passed by the shareholders on general meeting;

whichever is the earlier; and

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

9. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH LOW NAM HUI & SONS SDN BHD ("Proposed Shareholders' Mandate 3") **(Resolution 11)**

"That, subject always to the Bursa Malaysia Listing Requirements, the Company and/or its subsidiary shall be mandated to enter into the category of recurrent transactions of a revenue or trading nature as specified in Section 2.6 of the Circular dated 1 June 2012 with Low Nam Hui & Sons Sdn Bhd subject further to the following:-



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

- (i) the recurrent related party transactions are in the ordinary course of business which are necessary for the day to day operations and are on terms not more favourable than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the shareholders;
- (ii) disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Bursa Malaysia Listing Requirements and as set out in Section 2.6 of the Circular dated 1 June 2012;
- (iii) that the shareholders' mandate shall continue in force until:-
  - (a) the date of the next Annual General Meeting of the Company at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965; or
  - (c) revoked or varied by resolution passed by the shareholders on general meeting;whichever is the earlier; and
- (iv) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

10. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH KANGHUI TRAVEL SDN BHD ("Proposed Shareholders' Mandate 4") (Resolution 12)

"That, subject always to the Bursa Malaysia Listing Requirements, the Company and/or its subsidiary shall be mandated to enter into the category of recurrent transactions of a revenue or trading nature as specified in Section 2.6 of the Circular dated 1 June 2012 with KangHui Travel Sdn Bhd subject further to the following:-

- (i) the recurrent related party transactions are in the ordinary course of business which are necessary for the day to day operations and are on terms not more favourable than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the shareholders;
- (ii) disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Bursa Malaysia Listing Requirements and as set out in Section 2.6 of the Circular dated 1 June 2012;
- (iii) that the shareholders' mandate shall continue in force until:-
  - (a) the date of the next Annual General Meeting of the Company at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965; or
  - (c) revoked or varied by resolution passed by the shareholders on general meeting;whichever is the earlier; and
- (iv) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

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

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

"That, subject always to the Bursa Malaysia Listing Requirements, the Company and/or its subsidiary shall be mandated to enter into the category of recurrent transactions of a revenue or trading nature as specified in Section 2.6 of the Circular dated 1 June 2012 with Advance Pinnacle Sdn Bhd subject further to the following:-

- (i) the recurrent related party transactions are in the ordinary course of business which are necessary for the day to day operations and are on terms not more favourable than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the shareholders;
- (ii) disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Bursa Malaysia Listing Requirements and as set out in Section 2.6 of the Circular dated 1 June 2012;
- (iii) that the shareholders' mandate shall continue in force until:-
  - (a) the date of the next Annual General Meeting of the Company at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965; or
  - (c) revoked or varied by resolution passed by the shareholders on general meeting;whichever is the earlier; and
- (iv) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

12. 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.





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

### NOTICE OF GENERAL MEETING RECORD OF DEPOSITORS

**NOTICE IS ALSO HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend the 12<sup>th</sup> Annual General Meeting, Harn Len shall request from Bursa Malaysia Depository Sdn Bhd in according with the provisions under Article 62 of Harn Len's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors ("General Meeting ROD") as at 18 June 2012. Only a depositor whose name appears on the General Meeting ROD as at 18 June 2012 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.

By Order of the Board

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

Johor Bahru  
1 June 2012

#### **Notes:-**

1. Only members registered in the Record of Depositors as at 18 June 2012 are eligible to attend the Company's 12<sup>th</sup> Annual General Meeting or to appoint proxy to attend and vote on his/her behalf.
2. 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.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same Meeting.
4. 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.
5. Where a member is an authorised 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.
6. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of its attorney duly authorised.
8. 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.

#### **9. Explanatory Notes**

Ordinary Business:-

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

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

Special Business:-  
- Ordinary Resolutions

Resolution 8 – Authority to allot and issue shares

The Company had during its 11<sup>th</sup> Annual General Meeting held on 16 June 2011, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). The Company did not issue any shares pursuant to this mandate obtained.

This ordinary resolution 8 proposed under Agenda 6 is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The ordinary resolution 8, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

Resolution 9, 10, 11, 12 and 13 – Proposed Shareholders Mandate 1, 2, 3, 4 and 5

The Ordinary Resolutions 9, 10, 11, 12 and 13 proposed in Agenda 7, 8, 9, 10 and 11 above, if passed, will renew the mandates for the Company and/or its subsidiaries to enter into the categories of recurrent transactions of a revenue or trading nature with Seri Cemerlang Plantation (Pahang) Sdn Bhd, Pengangkutan Low Nam Hui Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, KangHui Travel Sdn Bhd and Advance Pinnacle Sdn Bhd respectively as specified in Section 2.6 of the Circular to Shareholders dated 1 June 2012, which is sent out together with the Company's Annual Report 2011. The mandates shall continue in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company in a general meeting and is subject to renewal.





## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-appointment at the 12<sup>th</sup> Annual General Meeting of Harn Len Corporation Bhd ("the Company"):-

- Tan Sri Dato' Low Nam Hui
- Mr Lee Chon Sing
- Mr Law Piang Woon

2. Directors who are standing for re-election by rotation at the 12<sup>th</sup> Annual General Meeting of the Company pursuant to Article 84 of the Company's Articles of Association:-

- Mr Low Quek Kiong
- Mr Low Kueck Shin

3. Detail of attendance of Directors at Board Meetings

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

4. Twelfth (12<sup>th</sup>) Annual General Meeting of Harn Len Corporation Bhd

Place : Meranti Hall, 4<sup>th</sup> Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru

Date and Time : Tuesday, 26 June 2012 at 11.00 a.m.

5. Securities holdings in the Company by the Directors standing for re-election and re-appointment as at 26 April 2012:-

No.	Name of Directors	Direct		Deemed Interest in Shares	
		No. of Shares	%	No. of Shares	%
1.	Mr Low Quek Kiong	20,000	0.01	129,214,208 <sup>*1</sup>	69.67
2.	Mr Low Kueck Shin	-	-	129,234,208 <sup>*2</sup>	69.68
3.	Tan Sri Dato' Low Nam Hui	-	-	129,234,208 <sup>*2</sup>	69.68
4.	Mr Lee Chon Sing	50,001	0.03	-	-
5.	Mr Law Piang Woon	-	-	-	-

### Notes:-

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

\*2 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

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

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



## 5 YEARS KEY STATISTICS

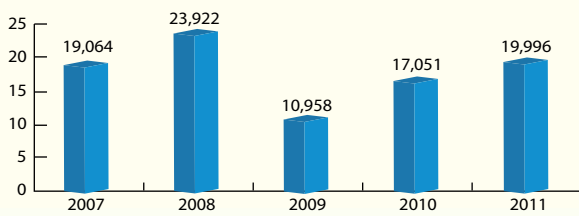
	YEAR					
	2011	2010	2009	2008	2007	
<b>FINANCIAL PERFORMANCE</b>						
Revenue	(RM'000)	166,767	131,487	103,078	137,528	101,067
Profit From Operations	(RM'000)	26,838	24,001	17,100	29,804	24,766
Ebita	(RM'000)	40,133	36,749	28,722	39,528	31,871
Profit Before Tax	(RM'000)	19,996	17,051	10,958	23,922	19,064
Taxation	(RM'000)	8,164	6,253	5,974	3,557	6,434
<b>Profit After Tax</b>	<b>(RM'000)</b>	<b>11,832</b>	<b>10,798</b>	<b>4,984</b>	<b>20,365</b>	<b>12,630</b>
Net profit to equity holders	(RM'000)	13,298	12,832	6,905	20,977	12,581
Shareholders' Equity	(RM'000)	254,362	244,774	231,942	226,892	209,624
Total Assets	(RM'000)	421,789	393,590	364,462	356,329	347,479
Total Borrowings	(RM'000)	125,434	114,341	98,310	85,154	97,537
Return on Equity	%	5.23	5.24	2.98	9.25	6.00
PE Ratio (times)		11	12	19	NA	NA
Return on Total Assets		3.15	3.26	1.89	5.89	3.62
Gearing Ratios		1:2.03	1:2.14	1:2.36	1:2.66	1:2.15
Interest Cover (times)		4.8	5.2	4.6	6.4	4.6
Net Debts to shareholders equity	%	49	47	42	38	47
Earnings Per Share-Basic	Sen	7.2	6.9	3.7	11.3	6.8
Net Assets Per Share	RM	1.31	1.26	1.20	1.18	1.09
Gross Dividend per share	Sen	1	1	1	2	0
Gross Dividend yield	%	1.25	1.22	1.43	NA	NA
Share Price at financial year end	Sen	80	82	70	NA	NA
<b>ESTATES</b>						
<u>Planted area</u>						
Mature	(ha)	11,301	12,341	12,603	11,957	9,367
Immature	(ha)	3,335	1,941	1,622	1,859	4,131
<b>Total Planted Area</b>	<b>(ha)</b>	<b>14,636</b>	<b>14,282</b>	<b>14,225</b>	<b>13,816</b>	<b>13,498</b>
FFB Production	(mt)	153,670	146,925	164,914	161,933	132,843
Yield Per Mature Hectare	(mt/ha)	13.598	11.905	13.085	13.543	14.182
<b>MILLS</b>						
<u>FFB Processed</u>						
Own FFB	(mt)	31,081	46,275	68,842	80,390	68,791
Outside FFB	(mt)	76,428	65,066	53,797	55,340	47,468
<b>Total</b>	<b>(mt)</b>	<b>107,509</b>	<b>111,341</b>	<b>122,639</b>	<b>135,730</b>	<b>116,259</b>
<u>Production</u>						
Crude Palm Oil	(mt)	21,233	21,800	24,548	27,191	23,588
Palm Kernel	(mt)	5,504	6,037	6,802	7,822	6,447
<u>Extraction Rate</u>						
Crude Palm Oil Extraction Rate	(%)	19.69	19.57	20.00	20.04	20.28
Palm Kernel Extraction Rate	(%)	5.14	5.36	5.56	5.78	5.58
<u>Average Selling Prices (Nett)</u>						
Crude Palm Oil	(RM/mt)	3,242	2,713	2,102	2,808	2,319
Palm Kernel	(RM/mt)	2,199	1,770	1,098	1,651	1,420
<b>Trees Profile</b>						
Immature (0-3 years)	Ha	3,335	1,941	1,622	1,859	4,131
Young (4-7 years)	Ha	4,801	7,282	6,520	5,874	3,284
Prime (8-19 years)	Ha	4,800	180	1,831	1,831	1,831
Past Prime (> 20 years)	Ha	1,700	4,879	4,252	4,252	4,252

Ebita - Earnings before Interest, Tax, Depreciation and Amortisation  
NA - Not Available

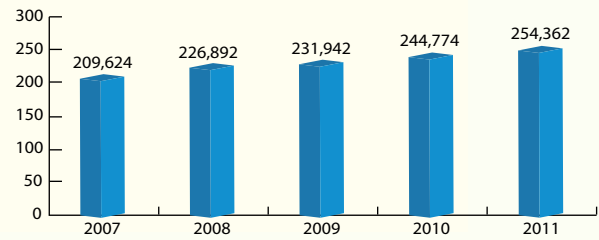


## 5 YEARS KEY STATISTICS (Cont'd)

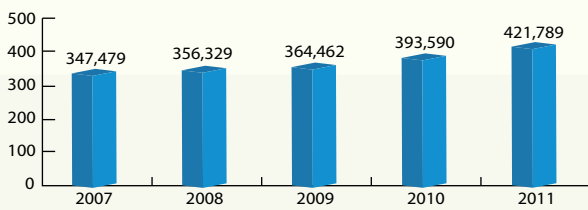
Profit Before Tax 扣税前盈利 (RM'000)



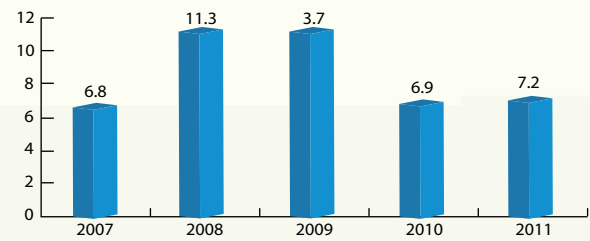
Shareholders' Equity 股东基金 (RM'000)



Total Assets 总资产 (RM'000)



Earnings Per Share-Basic 每股基本收益 (SEN)





## CORPORATE INFORMATION



From left to right:

Low Kwek Lee, Loh Wann Yuan, Brig. Jen. (B) Dato' Ali Bin Hj. Musa, Low Kueck Shin, Puan Sri Datin Chan Pui Leorn, Tan Sri Dato' Low Nam Hui, Low Quek Kiong, Lee Chon Sing, Law Piang Woon, Low Kuek Kong

### BOARD OF DIRECTORS

Tan Sri Dato' Low Nam Hui	<i>(Executive Chairman)</i>
Puan Sri Datin Chan Pui Leorn	<i>(Executive Director)</i>
Mr Low Quek Kiong	<i>(Executive Director)</i>
Mr Low Kueck Shin	<i>(Executive Director)</i>
Mr Low Kwek Lee	<i>(Executive Director)</i>
Mr Low Kuek Kong	<i>(Executive Director)</i>
Mr Lee Chon Sing	<i>(Executive Director)</i>
Mr Loh Wann Yuan	<i>(Senior Independent Non Executive Director)</i>
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	<i>(Independent Non Executive Director)</i>
Mr Law Piang Woon	<i>(Independent Non Executive Director)</i>

### AUDIT COMMITTEE

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

### REGISTERED OFFICE / BUSINESS ADDRESS

6<sup>th</sup> Floor, Johor Tower  
15 Jalan Gereja  
80100 Johor Bahru  
Telephone No. : 07 - 2221777  
Facsimile No. : 07 - 2249213

### SECRETARIES

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

### SHARE REGISTRAR

Messrs Tricor Investor Services Sdn Bhd  
Suite 1301, 13<sup>th</sup> Floor  
City Plaza, Jalan Tebrau  
80300 Johor Bahru  
Telephone No. : 07 - 3322088  
Facsimile No. : 07 - 3328096

### AUDITORS

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

### PRINCIPAL BANKERS

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

### STOCK EXCHANGE

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

### WEBSITE

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



## PROFILE OF DIRECTORS



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

**Tan Sri Dato' Low Nam Hui**, aged 94, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Chairman on 1 August 2003. Currently, he is also the Chairman and Managing Director of Low Nam Hui Group of Companies ("LNH Group"). An entrepreneur, immediately after the Second World War, he started off as a timber trader and then ventured into transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations, property development and hotel operations.

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

Tan Sri Dato' Low is the Honorary Adviser to the Johor Bahru Chinese Chamber of Commerce and Industry, Johore Associated Chinese Chamber of Commerce and Industry and The Associated Chinese Chambers of Commerce and Industry of Malaysia. He is also the Adviser of All-China Federation of Returned Overseas Chinese.

Tan Sri Dato' Low is the spouse of Puan Sri Datin Chan Pui Leorn and the parent of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. He is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 31 of the Financial Statements.



**PUAN SRI DATIN CHAN PUI LEORN**  
*NON-INDEPENDENT, EXECUTIVE*

**Puan Sri Datin Chan Pui Leorn**, aged 53, a Malaysian, was appointed to the Board of Harn Len as an Executive Director on 1 March 2011. Puan Sri Datin Chan was a Manager of Ulu Tiram Transport Company and Lama Trading Company from 1978 and 1983. She has vast experience in the transportation and logistics business, property management, administrative work and corporate planning.

Apart from her directorship in the Company, she does not hold any directorship in other listed companies in Malaysia. She holds directorship in several private limited companies.

Puan Sri Datin Chan is the spouse of Tan Sri Dato' Low and the parent 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. Puan Sri Datin Chan is a substantial shareholder of the Company by virtue of her direct and indirect interest in shareholdings held by her family-owned companies. She is deemed interested in related party transactions carried out in the ordinary course of business between the Company and her family-owned companies which details are found in Note 31 of the Financial Statements.



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

**Low Quek Kiong ("Low QK")**, aged 60, 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 Puan Sri Datin Chan and the sibling of Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. Mr Low QK is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 31 of the Financial Statements.



## PROFILE OF DIRECTORS (Cont'd)



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

**Low Kueck Shin ("Low KS")**, aged 55, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low KS obtained his Higher National Diploma in Business Studies from Croydon Technical College, London, England. He has more than 25 years experience in the oil palm plantation business.

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

Besides his involvement in Harn Len, Mr Low KS is the Vice-President of Johor Bahru Chinese Chamber of Commerce and Industry and the Deputy Chairman of the Working Committee (Agricultural & Primary Industry) of The Associated Chinese Chambers of Commerce and Industry of Malaysia.

Mr Low KS is the son of Tan Sri Dato' Low and Puan Sri Datin Chan and the sibling of Mr Low Quek Kiong, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. Mr Low KS is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 31 of the Financial Statements.



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

**Low Kwek Lee ("KL Low")**, aged 53, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003.

Mr KL Low obtained his Higher National Diploma in Business Studies from Brighton Technical College, London, England in 1980 and is an associate member of Institut Pengurusan Malaysia (MIM) since 1991. He joined his family-owned diversified business with major interests in logging, transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations and hotel operations after completing his education.

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

Mr KL Low is the son of Tan Sri Dato' Low and Puan Sri Datin Chan and the sibling of Mr Low Quek Kiong, Mr Low Kueck Shin and Mr Low Kuek Kong who are all directors of the Company. Mr KL Low is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 31 of the Financial Statements.



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

**Low Kuek Kong ("Low KK")**, 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 KK graduated with a Degree in Economics in 1993. Prior to joining his family-owned transportation business in 1996, he was a Production Manager in an electronics firm.

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

Mr Low KK is the son of Tan Sri Dato' Low and Puan Sri Datin Chan and the sibling of Mr Low Quek Kiong, Mr Low Kueck Shin and Mr Low Kwek Lee who are all directors of the Company. Mr Low KK is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 31 of the Financial Statements.



## PROFILE OF DIRECTORS (Cont'd)



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

Lee Chon Sing, aged 70, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002 and was subsequently appointed the Group General Manager of Harn Len on 1 August 2003. He is a member of the Remuneration Committee. He graduated from Nanyang University, Singapore with a Degree in Economics in 1965. He joined the LNH Group in 1966 and was the General Manager of LNH 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.



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

Loh Wann Yuan, aged 43, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002. Mr Loh is the Chairman of Audit Committee and Nomination Committee and also sits on the Remuneration Committee. He was appointed the Senior Independent Director on 27 August 2009.

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 graduated from University of London with a Bachelor of Law Degree and Masters in Law from New South Wales and Western Australia. He was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1994 with experience in conveyancing, commercial and corporate laws. He is currently practising at Messrs Syed Alwi, Ng & Co.

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

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



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

Brig. Jen. (B) Dato' Ali Bin Hj. Musa ("Dato' Ali"), aged 69, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003. Dato' Ali is the Chairman of the Remuneration Committee and also sits on the Audit and Nomination Committee.

Dato' Ali was an officer in the Malaysian Armed Forces until his retirement in July 1997. During his service as Brigadier General he commanded an infantry Brigade in Kelantan with up to 6,000 men.

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 a private limited company.

Dato' Ali does not have any conflict of interest in any business arrangement involving the Company.



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

Law Piang Woon, aged 70, a Malaysian, was appointed to the Board of Harn Len on 5 August 2003. He is currently a member of the Audit Committee and Nomination Committee. He holds a Bachelor of Commerce (Accountancy) Degree and is currently practicing as a Public Accountant. Apart from his qualification as a Chartered Accountant of Malaysia, he holds various qualifications including Certified Public Accountant (Australia), Certified Public Accountant (Singapore), Fellow of Chartered Tax Institute of Malaysia (FCTIM) and Fellow of the Association of Chartered Certified Accountants (FCCA).

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

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

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

### CONVICTION OF OFFENCE

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



## CHAIRMAN'S STATEMENT



TAN SRI DATO' LOW NAM HUI  
EXECUTIVE CHAIRMAN

### I ntroduction

On behalf of the Board of Directors of Harn Len Corporation Bhd, I am pleased to present the Annual Report and Financial Statements of the Group and the Company for the Financial Year ended 31 December 2011.

#### Financial Performance

Plantation operations continued to be the key performer in the financial year under review after posting 95.26% of the consolidated revenue. Our property operations, particularly the hotel division performed better in 2011 with approximately 10% increase in revenue.

In 2011, the increase in global demand for commodities including oil palm had pushed the crude palm oil (CPO) price up despite the slowing down of the global economy. Resulting from an uptrend pricing for commodities, the Group's revenue surged 27% to RM166,767,067 as at the end of 2011 as compared to the revenue in 2010. The average CPO selling price increased to RM3,242 per metric tonne as compared to RM2,713 per metric tonne in the previous financial year.

Overall, the Group's financial performance for the year ended 31 December 2011 was better as compared to the previous year. The Group registered a 17% increase in its pre-tax profit of RM19,996,031 and an approximately 10% increase in its profit after tax of RM11,831,652 as compared to the previous year. This was primarily due to stronger commodity prices and higher production of Fresh Fruit Bunches (FFB) at the estates in Sarawak.

#### Dividend

During the financial year under review, the Directors declared a single tier interim dividend of 1% per share on 9 December 2011 which was paid on 13 January 2012.

#### Related Party Transactions

Related party transactions of the Group for the financial year under review are disclosed in Note 31 to the Financial Statement of this Annual Report. A Circular seeking shareholder's approval to renew the mandate for recurrent related party transactions of a revenue or trading nature dated 1 June 2012 is sent out together with this Annual Report for more information disclosed.

#### Corporate Development

- On 16 May 2011, Masranti Plantation Sdn Bhd (MPSB) has successfully applied for an additional piece of land measuring 525 hectares from the State Government of Sarawak which is adjacent to the existing estate owned by MPSB. Subsequently on 8 September, 2011 MPSB has been granted the provisional lease from the State Government of Sarawak for the said land.
- On 5 January 2011, the Company acquired an additional double-storey shophouse at Jalan Ngee Heng, Johor Bahru. Consequent to the acquisition, the Company owns a total of six adjoining double-storey shophouses along Jalan Ngee Heng which is within the Central Business District of Johor Bahru and in close proximity to prominent commercial buildings namely Wisma Maria Medical Centre, Menara Landmark, Persada Convention Centre and City Square.

## CHAIRMAN'S STATEMENT (Cont'd)

### Corporate Development (continued)

- On 3 November 2011, the Company acquired two ordinary shares of RM1-00 each representing 0.01% of the total issued and paid up capital of MPSB from LNH Enterprise Sdn Bhd, a related party. Consequent to the acquisition, MPSB became a wholly-owned subsidiary of the Company.
- The replanting programme at the Senang Estate in Pahang had been completed and scout harvesting had commenced. However, replanting is still ongoing at the Lian Hup Estate.
- The construction of the Masranti Palm Oil Mill with capacity of 60 metric tonnes of fresh fruit bunches per hour had been completed and was operational in April 2012.

### Prospects

In 2012, the global economic prospect is expected to be more challenging and clouded by Europe's ongoing debt crisis, continued risk of commodity price and foreign exchange volatility. Moreover, with the expectation that in 2012, the Malaysian economy will grow between 5% and 6%, we will need to embrace a more aggressive pursuit of business operational efficiency to meet the challenges and remain vigilant of the direction of the global economy.

The Johor Bahru Transformation Project which was announced recently by Iskandar Regional Development Authority is an exciting project and will accelerate the demand for properties and businesses within Johor Bahru City Centre. Further, there will likely to be a spillover of Singaporeans and other foreign tourists travelling via Singapore to other parts of Malaysia when the proposed extension of the Mass Rapid Transit from Singapore to Johor Bahru commences in 2018. The impending good transport linkages within the city centre will augur well for our hotel business and commercial property investments which are likely to appreciate in value. Hence, we are confident that our property investment and hotel business will give us better returns when the transformation project is in full swing.

The Board is optimistic that the Group's expanding plantations, more maturing acreages and continual emphasis on improving yields and extraction rates from its existing plantations and milling operations will contribute positively to the Group's earnings. However, the Group's financial performance for the forthcoming year will depend on the demand of the commodity from major consuming countries and outlook for the oil palm industry.

### Appreciation

On behalf of the Board of Directors, I wish to convey our sincere appreciation to the management and staff for their continued dedication and commitment to the Group and to our valued customers, business associates, suppliers and government authorities for their constant support and co-operation.

Finally, I also wish to thank our shareholders for their confidence and support, as well as my fellow Board members for their invaluable contribution and efforts extended to the Group during the year.

**TAN SRI DATO' LOW NAM HUI**  
Executive Chairman  
26 April 2012



## 主席献词

### 前言

本人谨此代表汉联机构公众有限公司董事部向诸位股东提呈公司截止2011年12月31日财政年度表现及业绩并评估来年的业务展望。

### 财务表现

在本财政年度里，种植业仍然是汉联集团的核心业务，继续扮演着关键角色。它的业绩高达公司综合收入之95.26巴仙。值得一提的是，在集团的产业营运方面，其酒店业务业绩超越2011年，增长幅度大约10巴仙。

在2011年里，纵使全球经济放缓，然而全球对油棕商品需求增加的趋势却把原棕油价格推高。从商品价格的升势，本集团2011年财政收入比2010年增长了27巴仙达166,767,067令吉。原棕油平均售价由去年每公吨2,713令吉增至本年度的3,242令吉。

截至2011年12月31日，本集团整体的年度财务业绩表现较前一年更好。本集团的课税前与课税后盈利分别增长了17巴仙达19,996,031令吉和10巴仙达11,831,652令吉。取得良好业绩的主要因素包括强劲的棕油商品价格与砂劳越州园坵的鲜果串增加生产量。

### 股息

在2011年12月9日，董事部宣布派发单层面1巴仙之中期股息并已于2012年1月13日支付。

### 相关方的交易

本集团于回顾财政年度内所有与关联方的交易详情已在本年度年报之财务报告第31项披露。有关通函誌期：2012年6月1日寻求股东们批准更新一贯性的关联方交易事项，已经随同本年年报一起发送出去。

### 企业及业务发展

- 于2011年5月16日，沙劳越州内的金山园坵(Masranti)已成功地向州政府申请获得州政府批发一块毗邻的525公顷土地。同年9月8日，金山园坵更获得州政府授予该土地之有条件租赁。
- 在2011年1月5日，公司再收购一间位于柔佛新山义兴路的双层店屋。至今，集团在新山义兴路总共拥有6间双层店屋。此地点适在新山中央商业区，非常优势，邻近有著名的商业建筑如玛丽亚医疗中心、Landmark大厦(Menara Landmark)、Persada会议展览中心以及城市广场。
- 2011年11月3日，公司以每股1.00令吉的价格向关联方之LNH企业私人有限公司收购金山园坵之0.01巴仙发行及缴足资本。继之，金山园坵正式成为公司附属之全资子公司。
- 彭亨州新兰园坵(Senang Estate)的翻种计划已经完成以及开始收割成熟的油棕果。而联合园坵(Lian Hup Estate)的翻种计划仍在进行中。
- 金山园坵(Masranti)的每小时60吨产量棕油厂之建设已经顺利完成，并于2012年4月开始运作。

### 2012年展望

在2012年，全球经济前景将会比预期中更具挑战性。我们将会继续遭受欧洲大陆持续债务问题带来的冲击危机，和面对商品价格以及外汇变动的种种风险困扰。此外，2012年马来西亚经济增长率或许只能达到5至6巴仙。我们更需要维持强劲的企业监管和措施，来应付挑战和对全球经济方向的变化保持高度警惕与应变。

依斯干达区域发展管理局最近宣布的柔佛新山转型计划是一个令人兴奋的项目，它将能够带动和增加新山市中心的产业和商务需求。此外，我们相信当计划中的捷运系统如期于2018年从邻国新加坡展延至新山之际，将有许多新加坡人和其他外国游客经新加坡前来马来西亚各地旅游。到时候，市中心的交通体系得到改善，这象征着我们的酒店业务和商务产业投资也可以因此而升值。我们有信心，在转型项目进行完成时，我们的产业投资和酒店业务将获得更好的利益回报。

董事部对本集团的未来发展抱着乐观态度，包括放眼高优营运方针如扩张油棕种植园、增加棕油收割面积和不断地提高园坵生产量和油厂操作率。这些措施将会为本集团的盈利作出正面贡献。然而，本集团在力求盈利和业务增长的同时，未来一年的财务表现将取决于主要消费国的商品需求和棕油业的前景。

### 鸣谢

本人谨代表全体董事部成员，感谢所有管理层及集团旗下员工们之持续努力不懈付出的贡献致以万二分谢意。本人同时也衷心感谢我们的客户、商业伙伴、供应商及相关政府机构的持续支持与协助。最后，本人要对所有股东们给以的信心和支持，以及本机构的全体董事在这一年间向公司提出许多建设性的忠告与奉献，表示谢意。

丹斯里拿督刘南辉局绅  
执行主席

誌期：2012年4月26日

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Harn Len Corporation Bhd ("Board") recognizes the importance of good corporate governance towards building and maintaining corporate credibility and enhancing shareholder value.

The Board is pleased to present the following statement on the application of the principles and compliance with the best practices as set out in the Malaysian Code of Corporate Governance (Revised 2007) ("Code"). Unless otherwise specified and explained, the Board is of the opinion that the Company has generally complied with the best practices in the Code.

## BOARD OF DIRECTORS

### Responsibilities

The Board has the ultimate and overall responsibility for setting the objectives and steering the strategic direction of the Company. Other responsibilities of the Board include formulating and reviewing the policies and procedures in succession planning, risk management, internal control and to oversee the management's performance over the Group's business operations. In addition, the Board also advocates a policy of maintaining effective communication with shareholders and investors through timely dissemination of announcement to enhance corporate governance best practices within the Group.

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

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

### Board Composition and Balance

The Board comprises ten (10) members, of whom seven (7) are Executive Directors and three (3) are Independent Non-Executive Directors. The Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") that requires at least two (2) or one-third (1/3) of the Board to be Independent Directors, whichever is the higher.

The Board is comprised of individuals from diverse academic background that provides a collective range of skills, expertise and experience in various fields such as plantations, property, manufacturing, legal and accounting. A brief profile of each Director is presented on page 12 to 14 of this Annual Report.

There is a clear division of responsibility between the Chairman and the Executive Directors to ensure a balance of power and authority. The Chairman's responsibility is to ensure the effectiveness of the Board and conduct Board meetings, including organising all necessary information on a timely basis for Board deliberations while the Executive Directors are responsible for overall operations and effective implementation of Board decisions and policies. Non-Executive Directors contribute in providing their knowledge and experience towards formulation of the Company's policies and strategies. Representation on the Board is reflective of the extent of shareholdings of various parties in the Company and fairly reflects the investment in the Company.

### Meetings and Attendance

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

During the financial year, a total of four (4) Board meetings were held. The attendance of each Director is as follows:-

Director	Designation	Attendance
Tan Sri Dato' Low Nam Hui	Executive Chairman	4 out of 4
Puan Sri Datin Chan Pui Leorn	Executive Director	3 out of 4
Mr Low Quek Kiong	Executive Director	4 out of 4
Mr Low Kueck Shin	Executive Director	4 out of 4
Mr Low Kwek Lee	Executive Director	4 out of 4
Mr Low Quek Kong	Executive Director	4 out of 4
Mr Lee Chon Sing	Executive Director	4 out of 4
Mr Loh Wann Yuan	Senior Independent Director	4 out of 4
Brig. Jen. (B) Dato' Ali bin Hj. Musa	Independent Director	3 out of 4
Mr Law Piang Woon	Independent Director	4 out of 4

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### Supply of Information

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

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

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

### Directors' Training

All Directors have completed the Mandatory Accreditation Programme (MAP) as required under the Listing Requirements.

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

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

Director	Course Title	Trainer/Organiser	Date
Tan Sri Dato' Low Nam Hui	Seminar on the expanded governance role	Ernst & Young	20-09-2011
Puan Sri Datin Chan Pui Leorn	1) Mandatory Accreditation Programme for Directors Public Listed Companies	Bursatra Sdn Bhd	23-03-2011 24-03-2011
	2) Seminar on the expanded governance role	Ernst & Young	20-09-2011
Mr Low Quek Kiong	Malaysian Tax Summit 2011	KPMG Tax Services Sdn Bhd	17-10-2011
Mr Low Kueck Shin	1) Managing Boardroom Issue and Shareholders' Meeting Effectively, An Overview of the Limited Liability Partnership Act	Institute of Approved Company Secretaries	10-08-2011
	2) 2012 Budget Seminar	Ernst & Young	17-10-2011
Mr Low Kwek Lee	Political Risk Management	Bursatra Sdn Bhd	20-10-2011
Mr Low Kuek Kong	Malaysian Tax Summit 2011	KPMG Tax Services Sdn Bhd	17-10-2011
Mr Lee Chon Sing	Malaysian Tax Summit 2011	KPMG Tax Services Sdn Bhd	17-10-2011
Mr Loh Wann Yuan	Seminar on the expanded governance role	Ernst & Young	20-09-2011
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	Seminar on the expanded governance role	Ernst & Young	20-09-2011
Mr Law Piang Woon	Seminar on the expanded governance role	Ernst & Young	20-09-2011



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### BOARD COMMITTEES

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

#### Audit Committee ("AC")

The AC comprises wholly of Independent Non-Executive Directors, one of whom is a practicing public accountant. The following are members of the AC:-

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

The information of the functions and duties of the AC, and its activities carried out during the financial year are set out on page 23 to 25 of this Annual Report.

#### Nomination Committee ("NC")

The NC met on 25 January 2011 and comprises wholly of Independent Non-Executive Directors. The following are members of the NC:-

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

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

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

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

At the meeting held subsequent to the financial year under review, the Committee had recommended the re-appointment of Tan Sri Dato' Low Nam Hui, Mr Lee Chon Sing and Mr Law Piang Woon under Section 129 of the Companies Act, 1965, and the re-election of Messrs Low Quek Kiong and Low Kueck Shin pursuant to Article 84 of the Company's Articles of Association.

#### Remuneration Committee ("RC")

The RC met on 18 January 2011 and comprises the following directors:-

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

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

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



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### Directors' Remuneration

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

	Executive Directors (RM)	Non-Executive Directors (RM)
Salaries, bonus and allowances	4,725,612-00	85,000-00
Fees	-	145,800-00
Attendance Fees	-	33,000-00

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

	Number of Directors	
	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	3
RM300,001 to RM350,000	1	-
RM350,001 to RM400,000	1	-
RM400,001 to RM450,000	1	-
RM450,001 to RM500,000	1	-
RM750,001 to RM800,000	2	-
RM1,750,001 to RM1,800,000	1	-

### CORPORATE RESPONSIBILITY STATEMENT

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

The Company has also continued its annual practice of returning to the community by giving yearly educational awards in the form of cash to deserving children of the Group's employees and hosting a festive celebration for a group of underprivileged school children.

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

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

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

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

#### Relationship with Auditors

The AC provides an independent channel of communication for external and internal auditors. Regular dialogues are held between the management and the AC 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 AC before these are highlighted to the Board at Board meetings. AC also reviews the scope of work and extent of the activity of the internal audit function.

#### Internal Control

The Statement on Internal Control which provides an overview of the state of internal control of the Company is set out on page 26 to 27 of this Annual Report.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### Related Party Transactions

Details of all the related party transactions of the Group for the financial year are disclosed in Note 31 to the Financial Statement of this Annual Report.

### SHAREHOLDERS

#### Dialogue with Investors

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

#### Annual General Meeting

The Annual General Meeting is an important means of communication with shareholders and it provides opportunity for the shareholders to meet the Board, the External Auditors, the Company Secretaries as well as some of the Company's key management officers.

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

The Company believes that a constructive and effective investor relationship is an essential factor in enhancing shareholder value. In this instance, the Company aims to ensure timely disclosure of information to all shareholders. However, the Company is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

### COMPLIANCE STATEMENT

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

This statement is made in accordance with the resolution of the Board of Directors dated 25 April 2012.

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

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

The Directors consider that in preparing the financial statements:-

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

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

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

This statement made in accordance with the resolution of the Board of Directors dated 25 April 2012.



# AUDIT COMMITTEE REPORT

The Board of Directors of Harn Len Corporation Bhd ("Board") is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2011 as follows:-

## 1. Members and Meetings

During the financial year ended 31 December 2011 and up to the date of this report, the AC is comprised of three (3) members who are all Independent Non-Executive Directors.

A total of five (5) meetings were held during the financial year. The Directors were briefed on each AC meeting by the Chairman of the AC at the Board meeting. The minutes of all the AC meetings were circulated to all the Directors prior to the Board meetings and noted at the said meetings.

The members of the AC and their attendance of the AC meetings during the year are as follows:-

Name of Committee Members	Designation	Attendance of Meetings
Mr Loh Wann Yuan	Chairman	5 out of 5
Mr Law Piang Woon	Member	5 out of 5
Brig. Jen (B) Dato' Ali Bin Hj. Musa	Member	5 out of 5

## 2. Terms of Reference of AC

### 2.1 Composition

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

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

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

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

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

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

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



## AUDIT COMMITTEE REPORT (Cont'd)

### 2.2 Objectives

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

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

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

### 2.3 Duties and Responsibilities

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

- to review the effectiveness of management information and other systems of control within the Company and the Group;
- to review with the external auditors the scope of their audit plan, their evaluation of the system of internal control and the audit reports on the financial statements;
- to review the quarterly financial statements with management prior to the approval by the Board;
- to review the annual financial statements with management and the external auditors prior to the approval by the Board;
- to do the following, in relation to internal audit function:-
  - consider and recommend the appointment, termination and fee of the internal auditors;
  - review the performance appraisal of internal audit function's staff and to approve the appointment or termination of senior staff members of the internal audit function;
  - provide the resigning staff member an opportunity to submit his reason of resignation;
  - review the adequacy of the competency of the internal audit function and to ensure co-ordination of external audit with internal audit;
  - review the internal audit program and to consider the results of the internal audit investigations and management's response to ensure that appropriate action are taken on the recommendations of the internal audit function;
- to carry out in-depth review of major findings on internal investigations by both internal and external auditors and ensure that management respond to recommended corrective measures;
- to consider compliance of statutory legislation or guidelines as imposed by the relevant authorities which will include but not limited to that imposed by the Securities Commission, Bursa and the Companies Commission of Malaysia;
- to review and report any related party transactions that may arise within the Company;
- to review all significant transactions whether they are in the normal course of business or otherwise;
- to consider and recommend external auditors' appointment, remuneration and any questions of resignation or dismissal of the external auditors;
- to review the adequacy of the competency of the external auditors;
- to ensure that the Company immediately notify Bursa the resignation or removal of external auditors and forward a copy of the written explanation of the resignation made by the external auditors to Bursa and Registrar of Companies;
- to review and report on areas of conflict of interest;
- to consider any other topics as may be defined by the Board and directed by the Board from time to time.

### 2.4 Authority

In conducting its duties and responsibilities, the AC shall be granted the authority to investigate any matters of the Company and/or its subsidiaries within its Terms of Reference. The AC shall have access to Chief Financial Officer and to any information pertaining to the Company for the purpose of discharging its functions and responsibilities.

The AC shall have direct communication channels with the external auditors and have direct authority over the internal audit function of which is independent from management and operation. The AC may obtain independent professional advice and to invite outsiders who having the relevant experience and expertise to attend the meetings, if necessary, and be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company.



## AUDIT COMMITTEE REPORT (Cont'd)

### 2.5 Meetings

The AC is to meet not less than four (4) times a year and as many times as the AC deems necessary. The quorum for meetings shall be two (2) members who are Independent Non-Executive Directors. If the number of members present for the meeting is more than two, the majority of members present must be Independent Directors. The Secretary to the AC shall be the Company Secretary or her representative.

The Chief Financial Officer, Group Accountant and Head of Accounts Departments/Internal Audit, and representatives of the external auditors shall normally attend meetings. Other Board members may attend meetings upon invitation of the Committee. The presence of the external auditors will be by invitation as and when required.

Minutes of each meeting shall be kept by the Secretary as evidence that the AC has discharged its functions. The Chairman of the AC will report to the Board after each AC meeting. The AC minutes will be forwarded to Board members for information.

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

During the financial year, all members of AC had attended all the meetings held on 24 February, 24 May, 24 August and 24 November. External auditors were invited and attended twice the AC meetings without the presence of any management personnel. From the private discussion with them, AC gathered that management had given their full co-operation to the auditors and was satisfied that the auditors were able to carry out their duties with full cooperation from management as well as staff members.

In line with its Terms of Reference, AC carried out the following activities during the financial year ended 31 December 2011:-

- Reviewed the unaudited quarterly financial results and report for Board's approval for public release;
- Reviewed the unaudited financial statements for the financial year ended 31 December 2011 for Board's approval for public announcement;
- Reviewed the Report on the AC and the Statement on Internal Control for Board's approval for inclusion in the Annual Report;
- Reviewed the draft Circular to Shareholders in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature for Board's approval prior to circulation;
- Reviewed the internal audit plan and the internal audit reports;
- Reviewed the external audit plan and the external auditors' reports;
- Reviewed and appraisal of the external auditors' performance for recommendation for re-appointment;
- Reviewed the Risk Management reports;
- Reviewed the related party transaction that arose within the Group;
- Reviewed of the reports on RRPT of a revenue and trading nature;
- Reviewed of the financial budgets;
- Reviewed and assessment of sizeable potential investments; and
- Discussion and review of any other matters that were raised during the meetings.

### 4. Internal Audit Functions and Activities

A summary of the internal audit functions and activities conducted during the financial year is set out under the Statement on Internal Control on page 26 to 27 of this Annual Report.

# STATEMENT ON INTERNAL CONTROL

## Introduction

The Board of Directors remains committed towards ensuring that a sound system of internal control exists in order to safeguard shareholders' investment and the Group's assets.

As a follow through from the previous year's report, the Board of Directors is pleased to present a status review of the Group's state of internal controls during the year. This Internal Control Statement is prepared pursuant to paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad and the Statement on Internal controls: Guidance for Directors of Public Listed Companies.

## Board's Responsibility

The Board affirms its overall responsibility for maintaining sound system of internal control that supports the achievement of Harn Len Group of Companies' ("the Group") policies, aims and objectives, whilst safeguarding the shareholders' interest and the Group's assets. The Board has in place an on-going process for reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board also acknowledges that a sound system of internal control can only reduce, but cannot eliminate the possibility of poor judgment in decision making, human error, control process being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. Accordingly, the system can only provide reasonable but not absolute assurance against failing to achieve business objectives or all material misstatement, operation failures, fraud, losses or breaches of law or regulations.

## Risk Management Framework

The Board recognises that having a formal risk management framework in place is essential to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives. An Enterprise Risk Management ("ERM") framework has been implemented since 2007 to ensure that structured and consistent approaches and methods are practiced in the on-going process of identifying, evaluating, managing and monitoring the significant risks that affect the attainment of the Group's business objectives and goals.

The Board has also delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee ("RMC"). The RMC is responsible to implement the Group's risk management policy and on quarterly basis, report directly to the Board on the results of identification, evaluation and management of significant risks faced by the Group.

The respective Heads of Departments are responsible for managing risks related to their functions on a day-to-day basis. Periodic management meetings are held to ensure that risks faced by the Group are discussed, monitored and appropriately addressed. The RMC in its meetings has discussed on the status of risks, measures taken and suitable follow-up actions. As part of the tools for documenting the Group's risks profile, risks identified are depicted in a risk map which shows the positioning of key risks identified in terms of the impact and likelihood of occurrence. This provides the Board and Senior Management with an overview of the risk exposure of the Group.

## Internal Audit Function

The internal audit function of the Group is outsourced to an external consultant who reports directly to the Audit Committee on a half yearly basis.

The Internal Audit Function assists the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems.

The areas to be audited by the Internal Auditors were determined based on the review of the risk registers as well as discussion with the management and members of the Audit Committee. The Audit Committee reviewed and approved the Internal Audit Planning Memorandum to ensure adequate coverage before the commencement of the audit work for the year.

During the financial year, the internal auditors have carried out three reviews according to the approved risk-based internal audit plan. The reviews covered the assessment on the adequacy and effectiveness of the Group's internal controls system. The results of the internal audit observations, recommendations, management comments and any necessary corrective action were reported directly to the Audit Committee. Formal procedures were in place for correction of weaknesses identified in the Internal Audit Reports.



## STATEMENT ON INTERNAL CONTROL (Cont'd)

### Other Control Processes

Apart from the risk management and internal audit, the Group has the following control processes in place:

- Regular visits to operating units by Board members, Senior Management and external consultants whenever appropriate.
- Organisation structure with defined lines of authority and appropriate levels of delegation.
- Annual budget for each business function and approved by the Board.
- Regular Management Meeting to discuss on the Group's operational and management issues.
- Review and approval by the Board on all major decisions.
- Regular submission of appropriate reports covering all divisions and departments within the Group to the Board.
- Communication of policies and procedures to all staff members via circulars and internal memorandums.
- Adequate financial and operational information systems in place to capture and present timely and pertinent internal business information.
- A performance management system was implemented where the employees' competencies are enhanced through continuous training and education programmes.

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

The Board is not aware of any material losses incurred during the financial year under review as a result of weaknesses in internal control. The Board and the Management will continue to put in place appropriate action plans to further enhance the system of internal controls.



## ADDITIONAL COMPLIANCE INFORMATION

### 1. Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Company for the financial year ended 31 December 2011 is RM84,700.00.

### 2. American Deposit Receipt (“ADR”) or Global Deposit Receipt (“GDR”) Programme

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

### 3. Material contracts

During financial year under review, no material contract was entered into by the Company.

### 4. Utilisation of Proceeds

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

### 5. Share Buy-Back

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

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

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

### 7. Sanctions and/or Penalties

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

### 8. Variation in results

There were no variances of more than 10% for the audited results of the Group from the unaudited results as announced on 28 February 2012.

### 9. Profit Guarantee

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

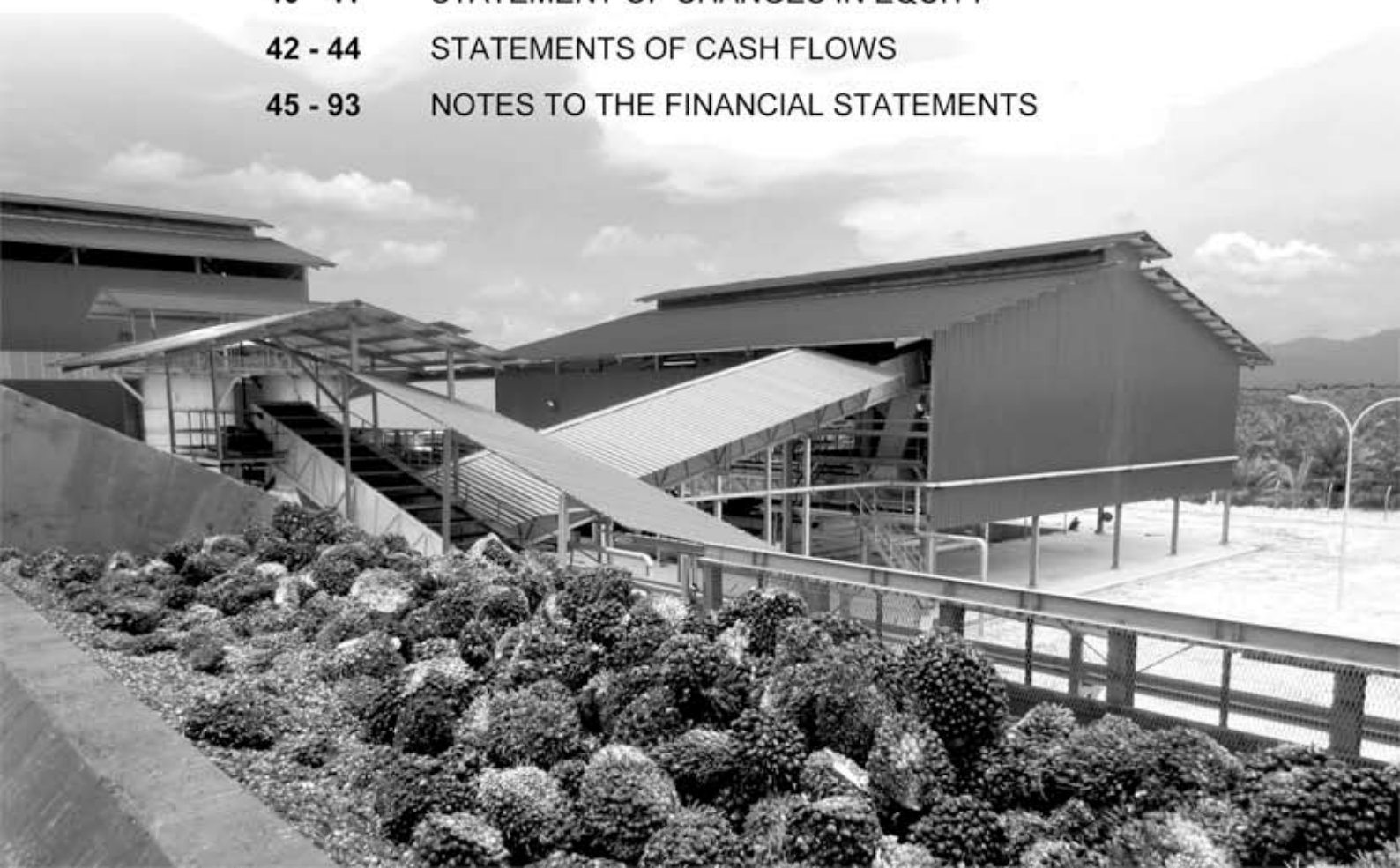


**汉联机构有限公司**  
HARN LEN CORPORATION BHD  
(502606-H)

ANNUAL REPORT 2011

# FINANCIAL STATEMENT

<b>30 - 33</b>	<b>DIRECTORS' REPORT</b>
<b>34</b>	<b>STATEMENT BY DIRECTORS</b>
<b>35</b>	<b>STATUTORY DECLARATION</b>
<b>36 - 37</b>	<b>INDEPENDENT AUDITORS' REPORT</b>
<b>38</b>	<b>STATEMENTS OF FINANCIAL POSITION</b>
<b>39</b>	<b>STATEMENTS OF COMPREHENSIVE INCOME</b>
<b>40 - 41</b>	<b>STATEMENT OF CHANGES IN EQUITY</b>
<b>42 - 44</b>	<b>STATEMENTS OF CASH FLOWS</b>
<b>45 - 93</b>	<b>NOTES TO THE FINANCIAL STATEMENTS</b>





# Directors' Report

## For the year ended 31 December 2011

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 2011.

### Principal activities

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

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

### Results

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	13,297,973	18,260,934
Non-controlling interests	(1,466,321)	--
	<u>11,831,652</u>	<u>18,260,934</u>

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

### Dividends

Since the end of the previous financial year, the Company paid:

- (i) a final single tier dividend of 1 sen per ordinary share totalling RM1,854,771 in respect of the year ended 31 December 2010 on 12 July 2011; and
- (ii) an interim single tier dividend of 1 sen per ordinary share totalling RM1,854,772 in respect of the year ended 31 December 2011 on 13 January 2012.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

### Directors of the Company

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

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



# Directors' Report

## For the year ended 31 December 2011 (Cont'd)

### Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Name of Directors	Interest	Number of ordinary shares of RM1.00 each			At 31 December 2011
		At 1 January 2011	Bought	Sold	
<b>Company</b>					
Tan Sri Dato' Low Nam Hui	Deemed	128,459,708 <sup>*1</sup>	649,800	--	129,109,508 <sup>*1</sup>
Puan Sri Datin Chan Pui Leorn	Direct	500,000	--	--	500,000
	Deemed	127,959,708 <sup>*2</sup>	649,800	--	128,609,508 <sup>*2</sup>
Mr. Low Quek Kiong	Direct	20,000	--	--	20,000
	Deemed	128,439,708 <sup>*2</sup>	649,800	--	129,089,508 <sup>*3</sup>
Mr. Low Kueck Shin	Deemed	128,459,708 <sup>*1</sup>	649,800	--	129,109,508 <sup>*1</sup>
Mr. Low Kwek Lee	Deemed	128,459,708 <sup>*1</sup>	649,800	--	129,109,508 <sup>*1</sup>
Mr. Low Kuek Kong	Deemed	128,459,708 <sup>*1</sup>	649,800	--	129,109,508 <sup>*1</sup>
Mr. Lee Chon Sing	Direct	50,001	--	--	50,001
Mr. Loh Wann Yuan	Direct	1	--	--	1

### Subsidiary

#### - Harn Len Pelita Bangunan Sdn. Bhd.

Tan Sri Dato' Low Nam Hui	Deemed	2,854,083	--	--	2,854,083
Mr. Low Quek Kiong	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kueck Shin	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kwek Lee	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kuek Kong	Deemed	2,854,083	--	--	2,854,083

<sup>\*1</sup> By virtue of his interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by his immediate family members, Puan Sri Datin Chan Pui Leorn, Mr. Low Quek Kiong, Mr. Low Kok Yong and Ms. Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

<sup>\*2</sup> By virtue of her interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by her immediate family members, Mr. Low Quek Kiong, Mr. Low Kok Yong and Ms. Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

<sup>\*3</sup> By virtue of his interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by his immediate family members, Puan Sri Datin Chan Pui Leorn, Mr. Low Kok Yong and Ms. Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

By virtue of their substantial interests in the shares of the Company, Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Mr. Low Quek Kiong, Mr. Low Kueck Shin, Mr. Low Kwek Lee and Mr. Low Kuek Kong are also deemed interested in the shares of all the wholly-owned subsidiaries of the Company.



# Directors' Report

## For the year ended 31 December 2011 (Cont'd)

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with the Company and certain subsidiaries in the ordinary course of business as disclosed in Note 31 to the financial statements.

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

### Issue of shares

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

### Options granted over unissued shares

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

### Other statutory information

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

- (i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

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

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

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



## Directors' Report

### For the year ended 31 December 2011 (Cont'd)

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 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 on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Low Quek Kiong**

**Low Kueck Shin**

Johor Bahru,

Date: 25 April 2012



## 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 38 to 92 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 on page 93 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**Low Quek Kiong**

**Low Kueck Shin**

Johor Bahru,

Date: 25 April 2012



## 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 38 to 93 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 above named in Johor Bahru in the State of Johor on 25 April 2012

**Low Quek Kiong**

Before me:

K. Amudalingam  
PLP, PIS, PPN  
Commissioner for Oaths  
J-133



# Independent Auditors' Report to the members of Harn Len Corporation Bhd

## Report on the Financial Statements

We have audited the financial statements of Harn Len Corporation Bhd, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 92.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.



# Independent Auditors' Report to the members of Harn Len Corporation Bhd (Cont'd)

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 on page 93 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### KPMG

Firm Number: AF 0758  
Chartered Accountants

### Wee Beng Chuan

Approval Number: 2677/12/12 (J)  
Chartered Accountant

Johor Bahru

Date: 25 April 2012



## Statements of financial position

### As at 31 December 2011

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>Assets</b>					
Property, plant and equipment	3	282,121,189	258,733,886	151,706,320	155,787,535
Biological assets	4	104,150,028	98,148,159	13,829,535	8,402,140
Investment properties	5	13,247,901	12,297,858	2,947,901	1,997,858
Investments in subsidiaries	6	--	--	87,284,029	87,284,023
Deferred tax assets	7	--	554,000	--	--
Goodwill on consolidation	8	7,616,523	7,616,523	--	--
Other receivables	9	--	--	91,384,817	75,021,047
<b>Total non-current assets</b>		<b>407,135,641</b>	<b>377,350,426</b>	<b>347,152,602</b>	<b>328,492,603</b>
Inventories	10	3,701,849	4,324,119	846,718	812,444
Trade and other receivables	9	6,916,677	7,840,039	4,082,506	4,083,274
Tax recoverable		2,185,077	830,437	2,169,777	821,377
Cash and cash equivalents	11	1,850,059	3,244,866	1,175,926	2,032,552
<b>Total current assets</b>		<b>14,653,662</b>	<b>16,239,461</b>	<b>8,274,927</b>	<b>7,749,647</b>
<b>Total assets</b>		<b>421,789,303</b>	<b>393,589,887</b>	<b>355,427,529</b>	<b>336,242,250</b>
<b>Equity</b>					
Share capital		185,477,159	185,477,159	185,477,159	185,477,159
Reserves		68,885,257	59,296,827	64,480,221	49,928,830
<b>Total equity attributable to owners of the Company</b>	12	<b>254,362,416</b>	<b>244,773,986</b>	<b>249,957,380</b>	<b>235,405,989</b>
<b>Non-controlling interests</b>	13	<b>(4,149,157)</b>	<b>(2,682,836)</b>	<b>--</b>	<b>--</b>
<b>Total equity</b>		<b>250,213,259</b>	<b>242,091,150</b>	<b>249,957,380</b>	<b>235,405,989</b>
<b>Liabilities</b>					
Deferred tax liabilities	7	7,095,075	4,683,096	1,529,946	514,697
Retirement benefits	14	744,040	671,870	744,040	671,870
Loans and borrowings (secured)	15	75,737,206	61,027,191	11,931,147	22,670,505
Other payables	16	--	--	26,466,711	32,633,548
<b>Total non-current liabilities</b>		<b>83,576,321</b>	<b>66,382,157</b>	<b>40,671,844</b>	<b>56,490,620</b>
Trade and other payables	16	35,831,852	30,863,496	18,895,963	10,912,757
Dividend payable		1,854,772	17,515	1,854,772	17,515
Taxation		616,732	921,496	--	--
Loans and borrowings (secured)	15	49,696,367	53,314,073	44,047,570	33,415,369
<b>Total current liabilities</b>		<b>87,999,723</b>	<b>85,116,580</b>	<b>64,798,305</b>	<b>44,345,641</b>
<b>Total liabilities</b>		<b>171,576,044</b>	<b>151,498,737</b>	<b>105,470,149</b>	<b>100,836,261</b>
<b>Total equity and liabilities</b>		<b>421,789,303</b>	<b>393,589,887</b>	<b>355,427,529</b>	<b>336,242,250</b>

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

## Statements of comprehensive income For the year ended 31 December 2011

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>Revenue</b>	17	166,767,067	131,486,760	109,263,328	78,944,587
Cost of goods sold		(115,517,133)	(86,843,201)	(72,761,670)	(57,234,691)
<b>Gross profit</b>	17	51,249,934	44,643,559	36,501,658	21,709,896
Other income		393,560	132,802	173,707	68,256
Administrative expenses		(20,038,514)	(18,243,706)	(13,662,829)	(12,753,716)
Distribution expenses		(3,778,155)	(2,288,535)	(2,275,345)	(1,622,341)
Other expenses		(989,229)	(243,431)	--	--
<b>Results from operating activities</b>		26,837,596	24,000,689	20,737,191	7,402,095
Finance income		7,504	5,163	2,890,484	2,333,568
Finance costs	18	(6,849,069)	(6,954,693)	(3,929,895)	(4,598,772)
Net finance costs		(6,841,565)	(6,949,530)	(1,039,411)	(2,265,204)
<b>Profit before tax</b>	19	19,996,031	17,051,159	19,697,780	5,136,891
Income tax expense	20	(8,164,379)	(6,253,372)	(1,436,846)	(2,114,794)
<b>Profit for the year/ Total comprehensive income for the year</b>		<u>11,831,652</u>	<u>10,797,787</u>	<u>18,260,934</u>	<u>3,022,097</u>
<b>Profit attributable to:</b>					
Owners of the Company		13,297,973	12,831,985	18,260,934	3,022,097
Non-controlling interests		(1,466,321)	(2,034,198)	--	--
<b>Profit for the year/ Total comprehensive income for the year</b>		<u>11,831,652</u>	<u>10,797,787</u>	<u>18,260,934</u>	<u>3,022,097</u>
Basic earnings per ordinary share (sen)	21	<u>7.2</u>	<u>6.9</u>		

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



## Statement of changes in equity For the year ended 31 December 2011

Group	Note	Attributable to owners of the Company		Distributable		Non-controlling interests RM	Total equity RM
		Share capital RM	Share premium RM	Capital reserve RM	Retained earnings RM		
<b>At 1 January 2010</b>		185,477,159	6,634,854	6,268,000	33,561,988	231,942,001	229,390,641
Total comprehensive income for the year		--	--	--	12,831,985	12,831,985	10,797,787
Shares subscription by minority shareholders		--	--	--	--	--	1,902,722
<b>At 31 December 2010</b>		185,477,159	6,634,854	6,268,000	46,393,973	244,773,986	242,091,150
Total comprehensive income for the year		--	--	--	13,297,973	13,297,973	11,831,652
Dividends to owners of the Company	22	--	--	--	(3,709,543)	(3,709,543)	(3,709,543)
<b>At 31 December 2011</b>		185,477,159	6,634,854	6,268,000	55,982,403	254,362,416	250,213,259

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



## Statement of changes in equity For the year ended 31 December 2011 (Cont'd)

Company	Note	Attributable to owners of the Company				Total equity RM
		Share capital RM	Non-distributable Share premium RM	Capital reserve RM	Distributable Retained earnings RM	
<b>At 1 January 2010</b>		185,477,159	6,634,854	6,268,000	34,003,879	232,383,892
Total comprehensive income for the year		--	--	--	3,022,097	3,022,097
<b>At 31 December 2010</b>		185,477,159	6,634,854	6,268,000	37,025,976	235,405,989
Total comprehensive income for the year		--	--	--	18,260,934	18,260,934
Dividends to owners of the Company		--	--	--	(3,709,543)	(3,709,543)
<b>At 31 December 2011</b>	22	185,477,159	6,634,854	6,268,000	51,577,367	249,957,380

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



## Statements of cash flows

### For the year ended 31 December 2011

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Cash flows from operating activities</b>				
Profit before tax				
Adjustments for:	19,996,031	17,051,159	19,697,780	5,136,891
Depreciation and amortisation	13,287,412	12,742,834	4,942,643	4,960,289
Finance costs	6,849,069	6,954,693	3,929,895	4,598,772
Retirement benefits	72,170	81,850	72,170	81,850
Interest income	(7,504)	(5,163)	(2,890,484)	(2,333,568)
Dividend income	--	--	(19,689,380)	--
Impairment loss on investment properties	26,467	33,235	--	--
Biological assets written off	752,564	--	--	--
Property, plant and equipment written off	--	1,813	--	1,813
Gain on disposal of property, plant and equipment	(116,085)	--	--	--
<b>Operating profit before changes in working capital</b>	40,860,124	36,860,421	6,062,624	12,446,047
Change in inventories	622,270	(996,293)	(34,274)	1,293,775
Change in trade and other receivables	923,362	6,661,405	768	(2,261,166)
Change in trade and other payables	4,968,356	(12,762,333)	1,816,369	9,904,413
<b>Cash generated from operations</b>	47,374,112	29,763,200	7,845,487	21,383,069
Tax paid	(6,857,804)	(6,123,825)	(1,769,997)	(2,819,285)
<b>Net cash from operating activities</b>	40,516,308	23,639,375	6,075,490	18,563,784

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



## Statements of cash flows

### For the year ended 31 December 2011 (Cont'd)

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
<b>Cash flows from investing activities</b>					
Acquisition of:					
- property, plant and equipment	23	(31,218,859)	(21,252,599)	(809,471)	(1,552,873)
- biological assets	24	(9,639,070)	(9,126,699)	(4,774,818)	(4,107,821)
- investment properties		(988,467)	(2,033,235)	(962,000)	(2,000,000)
- a subsidiary	25	--	(194,926)	--	(194,926)
Investment in subsidiaries		--	--	(6)	--
Proceeds from shares subscription by minority shareholders		--	1,902,722	--	--
Interest received		7,504	5,163	2,890,484	2,333,568
Increase in pledged deposits placed with licensed banks		(7,504)	(5,163)	(7,504)	(5,163)
Proceeds from disposal of property, plant and equipment		140,600	--	--	--
Advances to subsidiaries		--	--	(16,363,770)	--
<b>Net cash used in investing activities</b>		<b>(41,705,796)</b>	<b>(30,704,737)</b>	<b>(20,027,085)</b>	<b>(5,527,215)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(8,284,846)	(7,094,565)	(4,582,472)	(4,598,772)
Dividend received		--	--	19,689,380	--
Dividend paid		(1,872,286)	(1,854,915)	(1,872,286)	(1,854,915)
Payment of finance lease liabilities		(1,670,743)	(1,986,666)	(538,368)	(725,911)
Drawdown of term loans		30,182,039	22,678,625	--	9,000,000
Repayment of term loans		(15,938,210)	(13,826,000)	(11,938,210)	(9,826,000)
<b>Net cash from/(used in) financing activities</b>		<b>2,415,954</b>	<b>(2,083,521)</b>	<b>758,044</b>	<b>(8,005,598)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,226,466</b>	<b>(9,148,883)</b>	<b>(13,193,551)</b>	<b>5,030,971</b>
<b>Cash and cash equivalents at 1 January</b>		<b>(19,436,675)</b>	<b>(10,287,792)</b>	<b>(5,690,791)</b>	<b>(10,721,762)</b>
<b>Cash and cash equivalents at 31 December</b>		<b>(18,210,209)</b>	<b>(19,436,675)</b>	<b>(18,884,342)</b>	<b>(5,690,791)</b>

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



## Statements of cash flows

### For the year ended 31 December 2011 (Cont'd)

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash and bank balances	1,579,258	2,981,569	905,125	1,769,255
Bank overdraft	(19,789,467)	(22,418,244)	(19,789,467)	(7,460,046)
	<u>(18,210,209)</u>	<u>(19,436,675)</u>	<u>(18,884,342)</u>	<u>(5,690,791)</u>

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

# Notes to the financial statements

Harn Len Corporation Bhd is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business are as follows:

## Registered office

6<sup>th</sup> Floor, Johor Tower  
No. 15, Jalan Gereja  
80100 Johor Bahru  
Johor, Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the “Group”).

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

These financial statements were authorised for issue by the Board of Directors on 25 April 2012.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011***

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012***

- FRS 124, *Related Party Disclosures (revised)*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012***

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*



## Notes to the financial statements (Cont'd)

### (a) Statement of compliance (continued)

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013**

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014**

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015**

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial year when the above standards, amendments and interpretations become effective.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The other standards, amendments, interpretations and improvements are either not applicable or are not expected to have any material impact on the financial statements of the Group and of the Company.

The Group's and the Company's financial statements for annual period beginning on 1 January 2013 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments that are effective for annual periods beginning on or after 1 July 2012.



## Notes to the financial statements (Cont'd)

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis.

As at 31 December 2011, the Group and the Company's current liabilities exceeded their current assets by RM73,346,061 (2010: RM68,877,119) and RM56,523,378 (2010: RM36,595,994) respectively. The financial statements of the Group and of the Company continued to be prepared on the going concern basis as it is the intention of the Group and of the Company to continue their operations as going concerns. The going concern status of the Group and of the Company is dependent on the continuous financial support from the Group's bankers, suppliers and plantation contractors and the achievement of future profitable operations.

Without such financial support and the achievement of future profitable operations by the Group and the Company, there is doubt that the Group and the Company will be able to continue as going concerns and, therefore, as appropriate realise their assets and discharge their liabilities in the normal course of business. Consequently, adjustments may be required to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities should the Group and the Company be unable to continue as going concerns. In addition, the Group and the Company may have to provide for further liabilities that may arise.

Notwithstanding the net current liabilities position, as a plantation and property owner, the Group has significant long term assets which it uses as security for its banking facilities.

In view of the prevailing good market prices for its oil palm produce and the positive cash flow generated from its plantation activities; the Group has principally drawn on short term facilities from its bankers for its capital requirements.

As at 31 December 2011, the Group has undrawn banking facilities of RM0.2 million for working capital purposes and RM18 million for the completion of its oil mill under construction.

The Directors are of the opinion that with the prevailing and expected good market prices of oil palm produces and the good track records and relationship with banks, these would enhance the Group's ability to renew the current bank loans upon expiry or to convert short term borrowings to long term loans or to secure adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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



## Notes to the financial statements (Cont'd)

### (d) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 1(b) - going concern
- Note 7 - recognition of unutilised tax losses and unabsorbed capital allowances
- Note 8 - valuation of goodwill on consolidation
- Note 28 - contingent liabilities

### 2. Significant accounting policies

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

#### (a) Basis of consolidation

##### (i) Subsidiaries

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

##### (ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

##### **Acquisitions on or after 1 January 2011**

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.



## Notes to the financial statements (Cont'd)

### (a) Basis of consolidation (continued)

#### (ii) Accounting for business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

#### ***Acquisitions between 1 January 2006 and 1 January 2011***

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

#### ***Acquisitions prior to 1 January 2006***

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

#### (iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.



## Notes to the financial statements (Cont'd)

### (a) Basis of consolidation (continued)

#### (iv) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous financial years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

#### (v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous financial years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

#### (vi) Transactions eliminated on consolidation

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



## Notes to the financial statements (Cont'd)

### (b) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### Financial assets

#### (a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (b) *Held-to-maturity investments*

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

#### (c) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.



## Notes to the financial statements (Cont'd)

### (b) Financial instruments (continued)

#### (ii) Financial instrument categories and subsequent measurement (continued)

##### *(d) Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(h)(i)).

##### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.



## Notes to the financial statements (Cont'd)

### (b) Financial instruments (continued)

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (c) Property, plant and equipment

#### (i) *Recognition and measurement*

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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



## Notes to the financial statements (Cont'd)

### (c) Property, plant and equipment (continued)

#### (i) Recognition and measurement (continued)

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

#### (ii) Subsequent costs

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

#### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Buildings are depreciated on a straight line basis over fifty (50) years. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Leasehold land is amortised in equal instalments over the period of the respective leases which range from sixty-six (66) to ninety-seven (97) years.

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

Estate buildings	25 years
Roads and bridges	10 years
Plant and machinery	10 years
Motor vehicles, furniture, fittings and equipment	5 - 10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at end of the reporting period.

### (d) Biological assets

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

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



## Notes to the financial statements (Cont'd)

### (d) Biological assets (continued)

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

Plantation Development Expenditure of teak trees is not amortised and will be charged to the Income Statement at the time of harvest and sale of trees based on area harvested.

### (e) Investment properties

#### (i) Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

Freehold land is not depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

#### (ii) Reclassification to/from investment property

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

#### (iii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.



## Notes to the financial statements (Cont'd)

### (e) Investment properties (continued)

#### (iii) Determination of fair value (continued)

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of
- their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

### (f) Leased assets

#### (i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance is an operating lease is classified as prepaid lease payments.



## Notes to the financial statements (Cont'd)

### (g) Intangible assets

#### (i) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

#### (ii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

### (h) Impairment

#### (i) Financial assets

All financial assets except for investments in subsidiaries are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.



## Notes to the financial statements (Cont'd)

### (h) Impairment (continued)

#### (ii) Other assets

The carrying amounts of other assets except for inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

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

#### (i) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.



## Notes to the financial statements (Cont'd)

### (j) Cash and cash equivalents

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

### (k) Affiliated company

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

### (l) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable equity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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



## Notes to the financial statements (Cont'd)

### (n) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (ii) Services rendered

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

#### (iii) Rental income

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

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

#### (iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

### (o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.



## Notes to the financial statements (Cont'd)

### (p) Employee benefits

#### (i) Short-term employee benefits

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

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

#### (ii) State plans

The Group's contribution to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### (iii) 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.

### (q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares.

### (r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.



## Notes to the financial statements (Cont'd)

### 3. Property, plant and equipment

Group	Land and buildings RM	Road and bridges RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Construction -in-progress RM	Total RM
<b>At cost</b>						
At 1 January 2010	221,646,648	17,095,127	12,588,131	20,470,687	628,155	272,428,748
Additions	3,710,957	1,523,038	1,031,055	1,382,954	14,523,513	22,171,517
Acquisition through business combination	14,655,702	--	--	--	--	14,655,702
Written off	--	--	--	(7,066)	--	(7,066)
At 31 December 2010/ 1 January 2011	240,013,307	18,618,165	13,619,186	21,846,575	15,151,668	309,248,901
Additions	5,538,920	1,420,781	165,635	2,269,072	23,863,676	33,258,084
Disposals	--	(12,600)	--	(360,000)	--	(372,600)
Transfer	49,500	--	--	--	(49,500)	--
At 31 December 2011	245,601,727	20,026,346	13,784,821	23,755,647	38,965,844	342,134,385
<b>Accumulated depreciation</b>						
At 1 January 2010	20,418,582	6,986,532	5,055,586	8,538,873	--	40,999,573
Depreciation charge	3,503,692	1,753,618	1,324,442	2,938,943	--	9,520,695
Written off	--	--	--	(5,253)	--	(5,253)
At 31 December 2010/ 1 January 2011	23,922,274	8,740,150	6,380,028	11,472,563	--	50,515,015
Depreciation charge	3,628,451	1,860,980	1,371,224	2,985,611	--	9,846,266
Disposals	--	(420)	--	(347,665)	--	(348,085)
At 31 December 2011	27,550,725	10,600,710	7,751,252	14,110,509	--	60,013,196
<b>Carrying amounts</b>						
At 31 December 2011	218,051,002	9,425,636	6,033,569	9,645,138	38,965,844	282,121,189
At 31 December 2010	216,091,033	9,878,015	7,239,158	10,374,012	15,151,668	258,733,886



## Notes to the financial statements (Cont'd)

### 3. Property, plant and equipment (continued)

Company	Land and buildings RM	Road and bridges RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
<b>At cost</b>					
At 1 January 2010	159,930,800	536,800	12,139,279	11,166,690	183,773,569
Additions	--	5,000	1,021,700	648,173	1,674,873
Written off	--	--	--	(7,066)	(7,066)
At 31 December 2010/ 1 January 2011	159,930,800	541,800	13,160,979	11,807,797	185,441,376
Additions	353,841	--	145,405	350,225	849,471
At 31 December 2011	160,284,641	541,800	13,306,384	12,158,022	186,290,847
<b>Accumulated depreciation</b>					
At 1 January 2010	14,607,451	22,792	4,994,618	5,076,086	24,700,947
Depreciation charge	2,320,632	54,134	1,278,854	1,304,527	4,958,147
Written off	--	--	--	(5,253)	(5,253)
At 31 December 2010/ 1 January 2011	16,928,083	76,926	6,273,472	6,375,360	29,653,841
Depreciation charge	2,323,250	54,216	1,324,556	1,228,664	4,930,686
At 31 December 2011	19,251,333	131,142	7,598,028	7,604,024	34,584,527
<b>Carrying amounts</b>					
At 31 December 2011	141,033,308	410,658	5,708,356	4,553,998	151,706,320
At 31 December 2010	143,002,717	464,874	6,887,507	5,432,437	155,787,535



## Notes to the financial statements (Cont'd)

### 3. Property, plant and equipment (continued)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Carrying amounts of land and buildings</b>				
Freehold land	20,770,000	20,770,000	20,770,000	20,770,000
Long term leasehold land	150,586,013	148,581,816	79,140,277	80,386,153
Buildings	46,694,989	46,739,217	41,123,031	41,846,564
	<u>218,051,002</u>	<u>216,091,033</u>	<u>141,033,308</u>	<u>143,002,717</u>

As at the year end, the title to a leasehold land of a subsidiary involved in a joint venture plantation with a carrying amount of RM2,338,760 (2010: RM2,378,400) has yet to be issued by the relevant authority to the said subsidiary (Note 4 and 28).

#### Security

Land and buildings of the Group and of the Company with a carrying amount of RM168,415,499 (2010: RM170,491,226) and RM138,358,227 (2010: RM140,528,703) respectively are charged to banks as security for banking facilities granted to the Company and a subsidiary.

#### Leased motor vehicles

Included in the property, plant and equipment of the Group and of the Company are motor vehicles acquired under lease financing with carrying amount of RM4,199,736 (2010: RM4,897,261) and RM1,045,513 (2010: RM1,575,039) respectively. The leased motor vehicles secured lease obligation as stated in Note 15.

#### Others

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

	Group	
	2011 RM	2010 RM
Income statements	9,393,597	9,079,507
Biological assets	452,669	441,188
	<u>9,846,266</u>	<u>9,520,695</u>

Included in construction-in-progress of the Group is finance cost capitalised of RM891,225 (2010: RM132,818).



## Notes to the financial statements (Cont'd)

### 4. Biological assets

<b>Group</b>	<b>Plantation development expenditure - oil palm RM</b>	<b>Plantation development expenditure - teak tree RM</b>	<b>Total RM</b>
<b>At cost</b>			
At 1 January 2010	101,131,172	758,321	101,889,493
Additions	9,565,097	9,844	9,574,941
At 31 December 2010/1 January 2011	110,696,269	768,165	111,464,434
Additions	10,636,291	--	10,636,291
Written off	--	(752,564)	(752,564)
At 31 December 2011	121,332,560	15,601	121,348,161
<b>Accumulated amortisation</b>			
At 1 January 2010	9,655,090	--	9,655,090
Amortisation charge	3,661,185	--	3,661,185
At 31 December 2010/1 January 2011	13,316,275	--	13,316,275
Amortisation charge	3,881,858	--	3,881,858
At 31 December 2011	17,198,133	--	17,198,133
<b>Carrying amounts</b>			
At 31 December 2011	104,134,427	15,601	104,150,028
At 31 December 2010	97,379,994	768,165	98,148,159
			<b>Plantation development expenditure - oil palm RM</b>
<b>Company</b>			
<b>At cost</b>			
At 1 January 2010			4,294,319
Additions			4,107,821
At 31 December 2010/1 January 2011			8,402,140
Additions			5,427,395
At 31 December 2011			13,829,535
<b>Carrying amounts</b>			
At 31 December 2011			13,829,535
At 31 December 2010			8,402,140



## Notes to the financial statements (Cont'd)

### 4. Biological assets (continued)

The biological assets of the Group and of the Company with carrying amount of RM25,215,510 (2010: RM20,474,704) and RM13,829,535 (2010: RM8,402,140) respectively are charged to a bank as security for banking facilities granted to the Company and a subsidiary.

Included in plantation development expenditure of the Group and the Company are the following expenses capitalised:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Finance costs	544,552	7,054	652,577	--
Depreciation and amortisation (see Note 3)	452,669	441,188	--	--
Personnel expenses (including key management personnel)				
- Wages, salaries and others	211,751	131,131	18,160	5,731

The plantation development of a subsidiary, Harn Len Pelita Bungalow Sdn. Bhd. are situated on Native Customary Rights Land Development Area in Sarawak. Pursuant to the Joint Venture Agreement dated 3 September 2004 and Supplementary Agreement dated 29 March 2010, the joint venture partner, Pelita Holdings Sdn. Bhd. which holds 40% equity interest in the said subsidiary (30% of which as trustee for the Sarawak Government and the natives (hereinafter referred to as "NCR Owners")), undertake to procure the alienation of the land for a lease period of 60 years from the Sarawak State Government to the said subsidiary.

As at the year end, the title to the leasehold land of the subsidiary has yet to be issued by the relevant authority to the said subsidiary (Note 3 and 28).

## Notes to the financial statements (Cont'd)

### 5. Investment properties

Group	Land and building RM	Property development expenditure RM	Total RM
<b>At cost</b>			
At 1 January 2010	10,300,000	1,571,987	11,871,987
Additions	2,000,000	33,235	2,033,235
At 31 December 2010/1 January 2011	12,300,000	1,605,222	13,905,222
Additions	962,000	26,467	988,467
At 31 December 2011	13,262,000	1,631,689	14,893,689
<b>Accumulated amortisation</b>			
At 1 January 2010	--	--	--
Amortisation charge	2,142	--	2,142
At 31 December 2010/1 January 2011	2,142	--	2,142
Amortisation charge	11,957	--	11,957
At 31 December 2011	14,099	--	14,099
<b>Accumulated impairment losses</b>			
At 1 January 2010	--	1,571,987	1,571,987
Impairment losses	--	33,235	33,235
At 31 December 2010/1 January 2011	--	1,605,222	1,605,222
Impairment losses	--	26,467	26,467
At 31 December 2011	--	1,631,689	1,631,689
<b>Carrying amount</b>			
At 31 December 2011	13,247,901	--	13,247,901
At 31 December 2010	12,297,858	--	12,297,858



## Notes to the financial statements (Cont'd)

### 5. Investment properties (continued)

<b>Company</b>	<b>Land and building RM</b>
<b>At cost</b>	
Addition/At 31 December 2010	2,000,000
At 1 January 2011	2,000,000
Addition	962,000
At 31 December 2011	2,962,000
<b>Accumulated amortisation</b>	
Amortisation charge/At 31 December 2010	2,142
At 1 January 2011	2,142
Amortisation charge	11,957
At 31 December 2011	14,099
<b>Carrying amount</b>	
At 31 December 2011	2,947,901
At 31 December 2010	1,997,858

Included in the above are:

	<b>Group</b>		<b>Company</b>	
	<b>2011 RM</b>	<b>2010 RM</b>	<b>2011 RM</b>	<b>2010 RM</b>
<b>At cost</b>				
Freehold land	12,526,128	12,096,428	2,226,128	1,796,428
Buildings	721,773	201,430	721,773	201,430
	<u>13,247,901</u>	<u>12,297,858</u>	<u>2,947,901</u>	<u>1,997,858</u>

The following are recognised in profit or loss in respect of investment properties:

	<b>Group</b>		<b>Company</b>	
	<b>2011 RM</b>	<b>2010 RM</b>	<b>2011 RM</b>	<b>2010 RM</b>
Rental income	53,116	24,973	34,348	11,468
Direct operating expenses:				
- income generating investment properties	48,881	29,461	7,461	843
- non-income generating investment properties	15,894	1,299	15,894	1,299



## Notes to the financial statements (Cont'd)

### 5. Investment properties (continued)

The investment properties comprise vacant land and six units of shophouses that are leased to third parties.

The fair value of the investment properties of the Group and of the Company as at 31 December 2011 are RM15,493,779 (2010: RM14,033,000) and RM3,263,779 (2010: RM2,673,000) respectively. The fair value is determined by independent professional qualified valuer using open market value method.

### 6. Investments in subsidiaries

	Company	
	2011 RM	2010 RM
Unquoted shares, at cost	87,284,029	87,284,023

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

Name of company	Principal activities	Effective ownership interest	
		2011 %	2010 %
Uniglobal Sdn. Bhd. *	Cultivation of oil palm	100	100
Masranti Plantation Sdn. Bhd.	Cultivation of oil palm	100	99.99
Premium Dragon Sdn. Bhd.	Investment holding	100	100
Nusantara Daya Sdn. Bhd.	Investment property	100	100
Gemilang Bumimas Sdn Bhd	Cultivation of oil palm	100	100
Harn Len Pelita Bengunan Sdn. Bhd.	Cultivation of oil palm	60	60
Harn Len Realty (Serian) Sdn. Bhd.	Property investment	100	100
Harn Len Plantation Development Sdn. Bhd.	Dormant	100	100
Harn Len Trading Sdn. Bhd. (formerly known as Sunshine Zodiac Sdn. Bhd.)	Dormant	100	100
Zhangxern Corporation Sdn. Bhd.	Dormant	100	100
Sinar Majestic Sdn. Bhd.	Dormant	100	--
Golden Majestic Sdn. Bhd.	Dormant	100	--

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

### 7. Deferred tax assets and liabilities

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Deferred tax assets	--	(554,000)	--	--
Deferred tax liabilities	7,095,075	4,683,096	1,529,946	514,697
	7,095,075	4,129,096	1,529,946	514,697



## Notes to the financial statements (Cont'd)

### 7. Deferred tax assets and liabilities (continued)

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Property, plant and equipment				
- capital allowances	11,411,223	10,764,336	3,655,319	2,333,986
- fair value adjustment	7,462,665	7,595,462	--	--
Provision	(270,414)	(202,774)	(258,756)	(192,361)
Unabsorbed capital allowances	(6,672,339)	(9,301,928)	(1,866,617)	(1,626,928)
Unutilised tax losses	(4,836,060)	(4,726,000)	--	--
	<u>7,095,075</u>	<u>4,129,096</u>	<u>1,529,946</u>	<u>514,697</u>

Movement in temporary difference during the year are as follows:

Group	At 1 January 2011 RM	Recognised in profit or loss (Note 20) RM	At 31 December 2011 RM
Property, plant and equipment			
- capital allowances	10,764,336	646,887	11,411,223
- fair value adjustment	7,595,462	(132,797)	7,462,665
Provision	(202,774)	(67,640)	(270,414)
Unabsorbed capital allowances	(9,301,928)	2,629,589	(6,672,339)
Unutilised tax losses	(4,726,000)	(110,060)	(4,836,060)
	<u>4,129,096</u>	<u>2,965,979</u>	<u>7,095,075</u>

#### Company

Property, plant and equipment			
- capital allowances	2,333,986	1,321,333	3,655,319
Provision	(192,361)	(66,395)	(258,756)
Unabsorbed capital allowances	(1,626,928)	(239,689)	(1,866,617)
	<u>514,697</u>	<u>1,015,249</u>	<u>1,529,946</u>

Group	At 1 January 2010 RM	Recognised in profit or loss (Note 20) RM	At 31 December 2010 RM
Property, plant and equipment			
- capital allowances	10,206,383	557,953	10,764,336
- fair value adjustment	7,727,714	(132,252)	7,595,462
Provision	(494,680)	291,906	(202,774)
Unabsorbed capital allowances	(9,588,801)	286,873	(9,301,928)
Unutilised tax losses	(4,640,680)	(85,320)	(4,726,000)
	<u>3,209,936</u>	<u>919,160</u>	<u>4,129,096</u>



## Notes to the financial statements (Cont'd)

### 7. Deferred tax assets and liabilities (continued)

Company	At 1 January 2010 RM	Recognised in profit or loss (Note 20) RM	At 31 December 2010 RM
Property, plant and equipment			
- capital allowances	1,681,939	652,047	2,333,986
Provision	(494,680)	302,319	(192,361)
Unabsorbed capital allowances	(1,367,937)	(258,991)	(1,626,928)
	(180,678)	695,375	514,697

#### Unrecognised deferred tax assets

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

	Group	
	2011 RM'000	2010 RM'000
Property, plant and equipment		
- capital allowances	23,898	21,810
Unutilised tax losses	(32,062)	(21,865)
Unabsorbed capital allowances	(25,881)	(27,716)
	(34,045)	(27,771)

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

### 8. Goodwill on consolidation

	Group	
	2011 RM	2010 RM
Carrying amounts	7,616,523	7,616,523

#### Impairment testing for cash-generating units containing goodwill

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

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

	Group	
	2011 RM	2010 RM
Masranti Plantation Sdn. Bhd.	5,794,799	5,794,799
Uniglobal Sdn. Bhd.	1,821,724	1,821,724
	7,616,523	7,616,523



## Notes to the financial statements (Cont'd)

### 8. Goodwill on consolidation (continued)

#### *Impairment testing for cash-generating units containing goodwill (continued)*

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

- Cash flows were projected based on a 10 years forecast and projections.
- Production yield is projected based on industry growth rate.
- Commodity price is projected based on current market price and remains constant throughout the projected period.
- Expenses were projected at annual increase of approximately 2% per annum.
- A pre-tax discount rate of 7.1% (2010: 6.5%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's existing rate of borrowing.

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

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

### 9. Trade and other receivables

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Non-current</b>				
Due from subsidiaries				
- Non-trade	--	--	91,384,817	75,021,047
<b>Current</b>				
Trade receivables	5,686,201	6,717,622	2,158,544	2,218,367
Other receivables, deposits and prepayments	1,230,476	1,122,417	199,119	319,096
Due from subsidiaries				
- Non-trade	--	--	1,724,843	1,545,811
	6,916,677	7,840,039	4,082,506	4,083,274
	6,916,677	7,840,039	95,467,323	79,104,321

The non-trade amounts due from subsidiaries are in respect of advances made which are unsecured and subject to interest at 3.5% (2010: 3.5%) per annum. The non-current amounts due from subsidiaries have no fixed terms of repayment and are not expected to be repaid within the next twelve months.

### 10. Inventories

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Agricultural produce	527,485	421,837	527,485	421,837
Consumables and spares	1,154,515	1,300,051	319,233	390,607
Nursery	2,019,849	2,602,231	--	--
	3,701,849	4,324,119	846,718	812,444

## Notes to the financial statements (Cont'd)

### 11. Cash and cash equivalents

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash and bank balances	1,579,258	2,981,569	905,125	1,769,255
Deposits placed with licensed banks	270,801	263,297	270,801	263,297
	<u>1,850,059</u>	<u>3,244,866</u>	<u>1,175,926</u>	<u>2,032,552</u>

The deposits of the Group and of the Company of RM270,801 (2010: RM263,297) are pledged to licensed banks as security for bank guarantee facilities granted to the Group and the Company.

### 12. Capital and reserves

#### Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2011 RM	2010 RM	2011 RM	2010 RM
Ordinary shares of RM1.00 each:				
Authorised	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>

#### Reserves

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Distributable</b>				
Retained earnings	55,982,403	46,393,973	51,577,367	37,025,976
<b>Non-distributable</b>				
Share premium	6,634,854	6,634,854	6,634,854	6,634,854
Capital reserve	6,268,000	6,268,000	6,268,000	6,268,000
	<u>68,885,257</u>	<u>59,296,827</u>	<u>64,480,221</u>	<u>49,928,830</u>

The Company has adopted the single tier company income tax system pursuant to Finance Act, 2007.

#### Capital reserve

On 18 July 2003, the Company issued RM44,310,095 1.5% five (5) years 2003/2008 Redeemable Convertible Secured Loan Stocks (RCSLS) at nominal value of RM1.00 each. Upon early redemption of the RCSLS in 2005, the equity component of the RCSLS was transferred to capital reserves.

### 13. Non-controlling interests

#### Group

The losses applicable to the non-controlling interest in a subsidiary, Harn Len Pelita Bengunan Sdn. Bhd. exceeded their interest in the equity of that subsidiary. The Directors of the Company are of the opinion that this deficit is temporary as it is the intention of the said subsidiary to progressively increase its paid-up share capital to RM24,000,000 and the non-controlling shareholder of the said subsidiary, being the joint venture partner of the development, has undertake to subscribe for 40% of the increased paid-up share capital i.e. RM9,600,000 in accordance with the Joint Venture Agreement dated 3 September 2004 (see Note 3 and 4).



## Notes to the financial statements (Cont'd)

### 14. Retirement benefits

	Group/Company	
	2011 RM	2010 RM
At 1 January	671,870	590,020
Provision made during the year	72,170	81,850
At 31 December	744,040	671,870

### 15. Loans and borrowings (secured)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Non-current</b>				
Finance lease liabilities	1,210,247	1,495,566	35,357	367,505
Term loans	74,526,959	59,531,625	11,895,790	22,303,000
	75,737,206	61,027,191	11,931,147	22,670,505
<b>Current</b>				
Finance lease liabilities	1,238,405	1,475,829	369,103	535,323
Term loans	28,668,495	29,420,000	23,889,000	25,420,000
Bank overdrafts	19,789,467	22,418,244	19,789,467	7,460,046
	49,696,367	53,314,073	44,047,570	33,415,369
	125,433,573	114,341,264	55,978,717	56,085,874

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	2011			2010		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
<b>Group</b>						
Less than one year	1,360,057	121,652	1,238,405	1,614,729	138,900	1,475,829
Between one and five years	1,283,996	73,749	1,210,247	1,592,534	96,968	1,495,566
	2,644,053	195,401	2,448,652	3,207,263	235,868	2,971,395



## Notes to the financial statements (Cont'd)

### 15. Loans and borrowings (secured) (continued)

	2011			2010		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
<b>Company</b>						
Less than one year	379,812	10,709	369,103	568,787	33,464	535,323
Between one and five years	36,826	1,469	35,357	376,398	8,893	367,505
	<u>416,638</u>	<u>12,178</u>	<u>404,460</u>	<u>945,185</u>	<u>42,357</u>	<u>902,828</u>

#### Security

The term loans and bank overdrafts are secured by fixed charges over certain land and buildings and biological assets of the Group and the entire issued and paid-up capital of a subsidiary.

#### Significant covenants

- The Group, Company and subsidiaries are required to maintain various ratios during the tenure of credit facilities.
  - gearing ratio (ranging lower than 0.75 to 2.0); and
  - interest cover ratio (lower than 2.0)
- The Group net tangible worth shall not be less than RM120,000,000.
- The Company shall not without the banks' prior written consent, incur or assume additional indebtedness or guarantee any indebtedness (except in the ordinary course of business), alter the present ownership structure and extend loans and advances to the Directors of the Company.
- The properties shall be valued by a professional valuer at least once every two years or such times as may be decided by the banks.

### 16. Trade and other payables

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Non-current</b>				
Due to a subsidiary				
- Non-trade	--	--	26,466,711	32,633,548
<b>Current</b>				
Trade payables	8,797,869	8,393,417	5,777,618	3,870,514
Other payables and accrued expenses	18,572,661	19,221,594	4,081,774	3,195,570
Due to a subsidiary				
- Non-trade	--	--	586,620	601,365
Due to affiliated companies				
- Trade	8,449,951	3,245,308	8,449,951	3,245,308
- Non-trade	11,371	3,177	--	--
	<u>8,461,322</u>	<u>3,248,485</u>	<u>8,449,951</u>	<u>3,245,308</u>
	<u>35,831,852</u>	<u>30,863,496</u>	<u>18,895,963</u>	<u>10,912,757</u>
	<u>35,831,852</u>	<u>30,863,496</u>	<u>45,362,674</u>	<u>43,546,305</u>



## Notes to the financial statements (Cont'd)

### 16. Trade and other payables (continued)

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

Interest is charged at 3.5% (2010: 3.5%) per annum on non-trade amounts due to subsidiaries.

Included in other payables and accrued expenses of the Group is an amount of RM9,244,000 (2010: RM11,627,000) owing to contractors for plantation development work performed and construction of oil mill.

### 17. Revenue/Gross profit

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Revenue</b>				
- Plantations	158,866,651	124,161,637	81,673,532	71,619,464
- Property and hotel	7,900,416	7,325,123	7,900,416	7,325,123
- Dividend income from a subsidiary	--	--	19,689,380	--
	<u>166,767,067</u>	<u>131,486,760</u>	<u>109,263,328</u>	<u>78,944,587</u>
Cost of sales of agricultural produces	107,099,669	78,432,744	64,344,206	48,824,234
Cost of services	8,417,464	8,410,457	8,417,464	8,410,457
	<u>115,517,133</u>	<u>86,843,201</u>	<u>72,761,670</u>	<u>57,234,691</u>
<b>Gross profit</b>	<u>51,249,934</u>	<u>44,643,559</u>	<u>36,501,658</u>	<u>21,709,896</u>

### 18. Finance costs

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest expenses	8,284,846	7,094,565	4,582,472	4,598,772
Less: Finance cost capitalised	(1,435,777)	(139,872)	(652,577)	--
	<u>6,849,069</u>	<u>6,954,693</u>	<u>3,929,895</u>	<u>4,598,772</u>



## Notes to the financial statements (Cont'd)

### 19. Profit before tax

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Auditors remuneration				
- Audit fees	163,000	151,000	71,000	68,000
- Non-audit fees	84,700	82,700	67,000	65,000
Bad debts written off	1,087	9,901	1,087	9,901
Biological assets written off	752,564	--	--	--
Depreciation and amortisation	13,287,412	12,742,834	4,942,643	4,960,289
(Reversal of)/Impairment loss:				
- investment property	26,467	33,235	--	--
- trade receivables	(43,770)	38,474	(43,770)	38,474
Personnel expenses (including key management personnel)				
- Contributions to Employees Provident Fund	1,465,297	1,342,428	1,085,439	1,031,485
- Wages, salaries and others	15,741,306	14,780,352	12,415,435	11,798,458
Rental of premises	--	9,500	--	9,500
Retirement benefits	72,170	81,850	72,170	81,850
Property, plant and equipment written off	--	1,813	--	1,813
Gain on disposal of property, plant and equipment	(116,085)	--	--	--

Staff costs are allocated as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Wages, salaries and others (including Directors' remuneration)				
- statement of comprehensive income	15,741,306	14,780,352	12,415,435	11,798,458
- plantation development expenditure	211,751	131,131	18,160	5,731
	<u>15,953,057</u>	<u>14,911,483</u>	<u>12,433,595</u>	<u>11,804,189</u>

### Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors				
- Fees	145,800	135,000	135,000	135,000
- Remuneration	4,843,612	4,477,768	3,838,838	3,537,394
Total short-term employee benefits	4,989,412	4,612,768	3,973,838	3,672,394
Other key management personnel:				
- Short term employee benefits	1,891,410	1,706,791	1,272,498	1,182,324
	<u>6,880,822</u>	<u>6,319,559</u>	<u>5,246,336</u>	<u>4,854,718</u>



## Notes to the financial statements (Cont'd)

### 19. Profit before tax (continued)

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

The estimated monetary value of Directors' benefit-in-kind for the Group/Company is RM178,103 (2010: RM180,260).

### 20. Income tax expense

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Current tax expense</b>				
- Current year	5,303,982	5,967,500	500,000	1,850,000
- Prior year	(105,582)	(633,288)	(78,403)	(430,581)
	5,198,400	5,334,212	421,597	1,419,419
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	3,159,152	1,276,306	1,016,489	363,828
- Prior year	(193,173)	(357,146)	(1,240)	331,547
	2,965,979	919,160	1,015,249	695,375
	8,164,379	6,253,372	1,436,846	2,114,794

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Reconciliation of effective tax expense</b>				
Profit before tax	19,996	17,051	19,698	5,137
Income tax calculated using Malaysian tax rate of 25%	4,999	4,263	4,925	1,284
Non-deductible expenses	1,908	2,070	1,514	930
Non-taxable income	--	--	(4,922)	--
Unrecognised deferred tax	1,556	911	--	--
	8,463	7,244	1,517	2,214
Over provided in prior year	(299)	(991)	(80)	(99)
Income tax expense	8,164	6,253	1,437	2,115



## Notes to the financial statements (Cont'd)

### 21. Earnings per ordinary share

#### Group

#### (a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2011 RM	2010 RM
Profit for the year attributable to owners	13,297,973	12,831,985
Weighted average number of ordinary shares are determined as follows:		
	2011	2010
Weighted average number of ordinary shares at 31 December	185,477,159	185,477,159
Basic earnings per ordinary share (sen)	7.2	6.9

#### (b) Diluted earnings per ordinary share

There are no dilutive potential ordinary shares.

### 22. Dividends

Dividends recognised by the Company are:

	Sen per share	Total amount RM	Date of payment
<b>2011</b>			
2011 - Interim, single tier	1.0	1,854,772	13 January 2012
2010 - Final, single tier	1.0	1,854,771	12 July 2011
		<u>3,709,543</u>	

### 23. Acquisition of property, plant and equipment

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current year's acquisition of plant and equipment	33,258,084	22,171,517	849,471	1,674,873
Less: Acquisition by lease financing	(1,148,000)	(786,100)	(40,000)	(122,000)
Finance cost capitalised	(891,225)	(132,818)	--	--
	<u>31,218,859</u>	<u>21,252,599</u>	<u>809,471</u>	<u>1,552,873</u>



## Notes to the financial statements (Cont'd)

### 24. Acquisition of biological assets

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current year's acquisition of biological assets	10,636,291	9,574,941	5,427,395	4,107,821
Less: Non fund items capitalised:				
- Depreciation and amortisation	(452,669)	(441,188)	--	--
- Finance costs	(544,552)	(7,054)	(652,577)	--
	<u>9,639,070</u>	<u>9,126,699</u>	<u>4,774,818</u>	<u>4,107,821</u>

### 25. Acquisition of a subsidiary

On 31 May 2010, the Group acquired the entire issued and paid-up capital of Gemilang Bumimas Sdn. Bhd. ("GBSB") for a total cash consideration of RM194,926. The intended principal activity of the company is the operation of oil palm plantation. If the acquisition had occurred on 1 January 2010, management estimates that the Group's consolidated profit for the period would have been RM12,829,496. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 January 2010.

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

	Recognised value on acquisition RM
Property, plant and equipment	14,655,702
Trade and other payables	(14,460,776)
	<u>194,926</u>

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values.

### 26. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Executive Chairman (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Segment 1 : Plantation - The cultivation of oils palm and palm oil milling
- Segment 2 : Property and hotel - Property investment and hotel business

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Executive Chairman (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.



## Notes to the financial statements (Cont'd)

### 26. Operating segments (continued)

#### Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Executive Chairman. Segment total asset is used to measure the return of assets of each segment.

#### Segment liabilities

Segment liabilities information is also included in the internal management reports provided to the Group's Executive Chairman.

#### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.



## Notes to the financial statements (Cont'd)

### 26. Operating segments (continued)

Group	Plantation		Property and hotel		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Segment profit/(loss)</b>	49,290	45,465	250	(141)	49,540	45,324
<i>Included in the measure of segment profit are:</i>						
Revenue from external customers	158,867	124,162	7,900	7,325	166,767	131,487
Reversal of/(impairment loss) on trade receivables	--	--	44	(38)	44	(38)
Bad debts written off	--	--	(1)	(10)	(1)	(10)
<i>Not included in the measure of segment profit but provided to Executive Chairman:</i>						
Depreciation	(11,050)	(10,447)	(1,733)	(1,684)	(12,783)	(12,131)
Finance costs	(6,065)	(4,967)	(138)	(70)	(6,203)	(5,037)
Finance income	786	918	--	--	786	918
Income tax expense	(7,149)	(6,253)	--	--	(7,149)	(6,253)
<b>Segment assets</b>	336,191	312,916	81,792	78,370	417,983	391,286
<i>Included in the measure of segment assets are:</i>						
Additions to non-current assets other than financial instruments and deferred tax assets	41,566	44,995	1,241	2,698	42,807	47,693
<b>Segment liabilities</b>	(107,028)	(90,372)	(2,552)	(2,451)	(109,580)	(92,823)



## Notes to the financial statements (Cont'd)

### 26. Operating segments (continued)

Reconciliations of reportable segment revenues, profit and loss, assets and other material items.

	2011 RM'000	2010 RM'000	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000
<b>Profit or loss</b>									
Total profit or loss for reportable segments	49,540	45,324	166,767	(12,783)	(6,203)	786	417,983	42,807	(109,580)
Depreciation and amortisation	(13,287)	(12,743)	--	(504)	(646)	(778)	3,806	187	(61,996)
Finance costs	(6,849)	(6,954)							
Finance income	8	6							
Unallocated expenses	(9,416)	(8,582)							
Consolidated profit before tax	19,996	17,051	166,767	(12,783)	(6,849)	8	421,789	42,994	(171,576)
<b>2011</b>									
Total reportable segments	131,487	(12,131)	131,487	(12,131)	(5,037)	918	391,286	47,693	(92,823)
Unallocated amount	--	(612)	--	(612)	(1,917)	(912)	2,304	62	(58,676)
Consolidated total	131,487	(12,743)	131,487	(12,743)	(6,954)	6	393,590	47,755	(151,499)
<b>Major customers</b>									
The major customer with revenue equal or more than 10 percent of Group revenue is as follows:									
		Revenue							
		2011	2010						
		RM'000	RM'000						
Customer - A	69,744	43,306	Plantation						
Customer - B	30,473	10,422	Plantation						
Customer - C	9,472	14,095	Plantation						



## Notes to the financial statements (Cont'd)

### 27. Commitments

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Capital commitment</b>				
<i>Property, plant and equipment</i>				
Contracted but not provided for	4,310,619	25,160,825	--	423,000
Authorised but not contracted for	7,633,551	11,170,110	1,492,386	589,434
<b>Biological assets</b>				
Authorised but not contracted for	3,707,558	7,663,002	--	1,626,580
	<u>15,651,728</u>	<u>43,993,937</u>	<u>1,492,386</u>	<u>2,639,014</u>

### 28. Contingent liabilities

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Unsecured</b>				
i) Corporate guarantees given to:				
- financial institution in respect of outstanding banking facilities of subsidiaries	--	--	68,837	42,840
ii) Subsidiary involving in joint venture plantation				
- leasehold land, road and bridges	7,836	7,982	--	--
- biological assets	36,779	34,394	--	--
	<u>44,615</u>	<u>42,376</u>	<u>68,837</u>	<u>42,840</u>

As disclosed in Note 3 and 4, a subsidiary, Harn Len Pelita Bungalow Sdn. Bhd. has entered into a joint venture agreement for the development of an oil palm plantation estate in Sarawak. Pursuant to the Joint Venture Agreement, the joint venture party undertake to procure the alienation of the land for a lease period of 60 years from the Sarawak State Government to the said subsidiary. As at the year end, the title to the leasehold land of the subsidiary has yet to be issued by the relevant authority to the said subsidiary. The amount disclosed above represent the potential impairment if the lease is not obtained.

As at year end, the subsidiary has been served with three Writ of Summon with Statement of Claim for alleged trespassing on parcels of the planted leasehold land.

Subsequent to the year end, the subsidiary has entered into a settlement of RM90,000 for one of the claims.

The Directors are of the opinion that no liabilities are required to be accrued in the financial statements for the remaining two claims as the outcome is uncertain pending the hearing of the cases in court scheduled to be held in May 2012.

#### Secured

##### Company

The land and buildings of the Company amounting to RM138,358,227 (2010: RM140,528,703) are charged to banks as security for banking facilities granted to a subsidiary



## Notes to the financial statements (Cont'd)

### 29. Financial instruments

#### 29.1 Categories of financial statements

All financial assets and liabilities are categorised as loans and receivables and other liabilities in accordance with the Group's accounting policies as disclosed in Note 2 (b).

#### 29.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net gains/(losses) on:				
Loans and receivables	8	5	2,891	2,334
Financial liabilities measured at amortised cost	(6,849)	(6,955)	(3,930)	(4,599)
	<u>(6,841)</u>	<u>(6,950)</u>	<u>(1,039)</u>	<u>(2,265)</u>

#### 29.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

##### **Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

##### **Receivables**

*Risk management objectives, policies and processes for managing the 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 customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.



## Notes to the financial statements (Cont'd)

### 29. Financial instruments (continued)

#### Credit risk (continued)

##### Impairment losses

The ageing of receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2011</b>			
Not past due	5,584	(7)	5,577
Past due 0 - 30 days	104	(5)	99
Past due 31 - 60 days	14	(6)	8
Past due more than 60 days	38	(36)	2
	<u>5,740</u>	<u>(54)</u>	<u>5,686</u>
<b>Company</b>			
<b>2011</b>			
Not past due	2,072	(7)	2,065
Past due 0 - 30 days	88	(5)	83
Past due 31 - 60 days	14	(6)	8
Past due more than 60 days	38	(36)	2
	<u>2,212</u>	<u>(54)</u>	<u>2,158</u>
<b>Group</b>			
<b>2010</b>			
Not past due	6,607	(3)	6,604
Past due 0 - 30 days	112	(3)	109
Past due 31 - 60 days	27	(22)	5
Past due more than 60 days	70	(70)	--
	<u>6,816</u>	<u>(98)</u>	<u>6,718</u>
<b>Company</b>			
<b>2010</b>			
Not past due	2,107	(3)	2,104
Past due 0 - 30 days	112	(3)	109
Past due 31 - 60 days	27	(22)	5
Past due more than 60 days	70	(70)	--
	<u>2,316</u>	<u>(98)</u>	<u>2,218</u>

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group/Company	
	2011 RM'000	2010 RM'000
At 1 January	98	60
Impairment loss recognised	15	55
Impairment loss reversed	(59)	(17)
At 31 December	<u>54</u>	<u>98</u>



## Notes to the financial statements (Cont'd)

### 29. Financial instruments (continued)

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

#### **Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM68,836,958 (2010: RM42,839,559) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

#### **Inter company balances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

## Notes to the financial statements (Cont'd)

### 29. Financial instruments (continued)

#### Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group 2011	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
<i>Non-derivative financial liabilities</i>							
Bank overdrafts (secured)	19,789	7.54	19,789	19,789	--	--	--
Finance lease liabilities (secured)	2,449	3.51	2,644	1,360	786	498	--
Term loans (secured)	103,195	5.94 - 7.12	121,918	34,464	27,202	41,881	18,371
Trade and other payables	35,832	--	35,832	35,832	--	--	--
	<u>161,265</u>		<u>180,183</u>	<u>91,445</u>	<u>27,988</u>	<u>42,379</u>	<u>18,371</u>
<b>Company 2011</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts (secured)	19,789	7.54	19,789	19,789	--	--	--
Finance lease liabilities (secured)	404	2.65	417	380	26	11	--
Term loans (secured)	35,785	5.94 - 7.34	37,623	25,047	8,104	4,472	--
Trade and other payables	18,896	--	18,896	18,896	--	--	--
	<u>74,874</u>		<u>76,725</u>	<u>64,112</u>	<u>8,130</u>	<u>4,483</u>	<u>--</u>
<b>Group 2010</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts (secured)	22,418	7.04	22,418	22,418	--	--	--
Finance lease liabilities (secured)	2,971	3.52	3,207	1,615	957	635	--
Term loans (secured)	88,952	5.98 - 6.65	102,165	33,557	18,285	36,074	14,249
Trade and other payables	30,863	--	30,863	30,863	--	--	--
	<u>145,204</u>		<u>158,653</u>	<u>88,453</u>	<u>19,242</u>	<u>36,709</u>	<u>14,249</u>
<b>Company 2010</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts (secured)	7,460	7.02	7,460	7,460	--	--	--
Finance lease liabilities (secured)	903	2.84	945	569	365	11	--
Term loans (secured)	47,723	5.98 - 6.19	51,188	27,159	11,508	12,521	--
Trade and other payables	10,913	--	10,913	10,913	--	--	--
	<u>66,999</u>		<u>70,506</u>	<u>46,101</u>	<u>11,873</u>	<u>12,532</u>	<u>--</u>



## Notes to the financial statements (Cont'd)

### 29. Financial instruments (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the Group's financial position or cash flows.

#### Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

#### Exposure to interest rate risk

The interest rate profile of the Group's and Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Fixed rate instruments</b>				
Financial assets	271	263	93,380	76,830
Financial liabilities	(32,061)	(37,742)	(57,070)	(68,909)
	<u>(31,790)</u>	<u>(37,479)</u>	<u>36,310</u>	<u>7,921</u>
<b>Floating rate instruments</b>				
Financial liabilities	(93,373)	(76,599)	(25,962)	(20,412)

#### Interest rate risk sensitivity analysis

##### (a) Fair value sensitivity analysis for fixed rate instruments

The Group and Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

##### (b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis point (bp) in interest rate at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
<b>Group</b>		
<b>2011</b>		
Floating rate instruments	(786)	786
<b>Company</b>		
<b>2011</b>		
Floating rate instruments	(244)	244
<b>Group</b>		
<b>2010</b>		
Floating rate instruments	(596)	596
<b>Company</b>		
<b>2010</b>		
Floating rate instruments	(113)	113



## Notes to the financial statements (Cont'd)

### 29. Financial instruments (continued)

#### Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

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

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Retirement benefit	(744)	(744)	(672)	(672)
Fixed rate term loan	(29,612)	(28,977)	(34,771)	(34,211)
Finance lease liabilities	(2,449)	(2,449)	(2,971)	(2,971)
<b>Company</b>				
Retirement benefit	(744)	(744)	(672)	(672)
Fixed rate term loan	(29,612)	(28,977)	(34,771)	(34,211)
Finance lease liabilities	(404)	(404)	(903)	(903)
Due from subsidiaries	93,110	93,110	75,021	75,021
Due to subsidiaries	(27,053)	(27,053)	(32,634)	(32,634)

The following summarises the methods used in determining the fair values of financial instruments reflected in the above table.

#### Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

#### Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2011 %	2010 %
Term loan	5.94 - 7.12	5.98 - 6.65
Financial leases	3.51	3.52
Due from/(to) subsidiaries	3.50	3.50

### 30. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. As a plantation and property owner, the Group has significant long term assets which it uses as security for its banking facilities. In view of the prevailing good market prices for its oil palm produce and the positive cash flow generated from its plantation activities; the Group has principally drawn on short term facilities from its bankers for its capital requirements. The Directors are of the opinion that barring any significant changes to the prevailing plantation produce prices, the Group will be able to fulfill its cash flow requirements when due. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.



## Notes to the financial statements (Cont'd)

### 30. Capital management (continued)

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the Group's debt-to-equity ratio at the range of 0.5 : 1. The debt-to-equity ratios at 31 December 2011 and at 31 December 2010 were as follows:

	Group	
	2011 RM'000	2010 RM'000
Total borrowings (Note 15)	125,434	114,341
Less: Cash and cash equivalents (Note 11)	(1,850)	(3,244)
	123,584	111,097
Total equity	250,213	242,091
Debt-to-equity-ratios	0.49	0.46

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is also required to maintain debt-to-equity ratios ranging from 0.75 to 2.00 to comply with the bank covenants of its bank borrowings, failing which, the bank may call an event of default.

### 31. Related parties

#### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and of Company, other than key management personnel compensation (see Note 19), are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Subsidiaries				
- Interest income	--	--	2,882,980	2,328,405
- Interest expense	--	--	800,193	991,813



## Notes to the financial statements (Cont'd)

### 31. Related parties (continued)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Affiliated companies</b>				
- Rental of premises	--	9,500	--	9,500
- Management fees receivable	38,160	37,800	38,160	37,800
- Sales	370,968	323,471	370,968	323,471
- Sales of seedlings	223,200	--	--	--
- Rental receivable	39,168	57,168	39,168	57,168
- Purchase of air tickets	156,120	159,647	56,080	92,476
- Purchases	29,912,581	26,223,528	29,912,581	26,223,528
- Transport charges payable	974,945	822,506	974,945	822,506
- Transport charges receivable	469,841	368,881	469,841	368,881
- Insurance	347,235	494,473	255,082	399,497
- Hotel accommodation	2,308	2,310	2,308	2,310
- Company trip	164,423	--	137,798	--
<b>Remuneration paid to staff who are close family member of certain Directors, Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Mr. Low Quek Kiong, Mr. Low Kueck Shin, Mr. Low Kwek Lee and Mr. Low Kuek Kong</b>	<b>1,042,513</b>	<b>954,592</b>	<b>1,042,513</b>	<b>954,592</b>



## Notes to the financial statements (Cont'd)

### 32. Supplementary information on the breakdown of realised and unrealised profits or losses

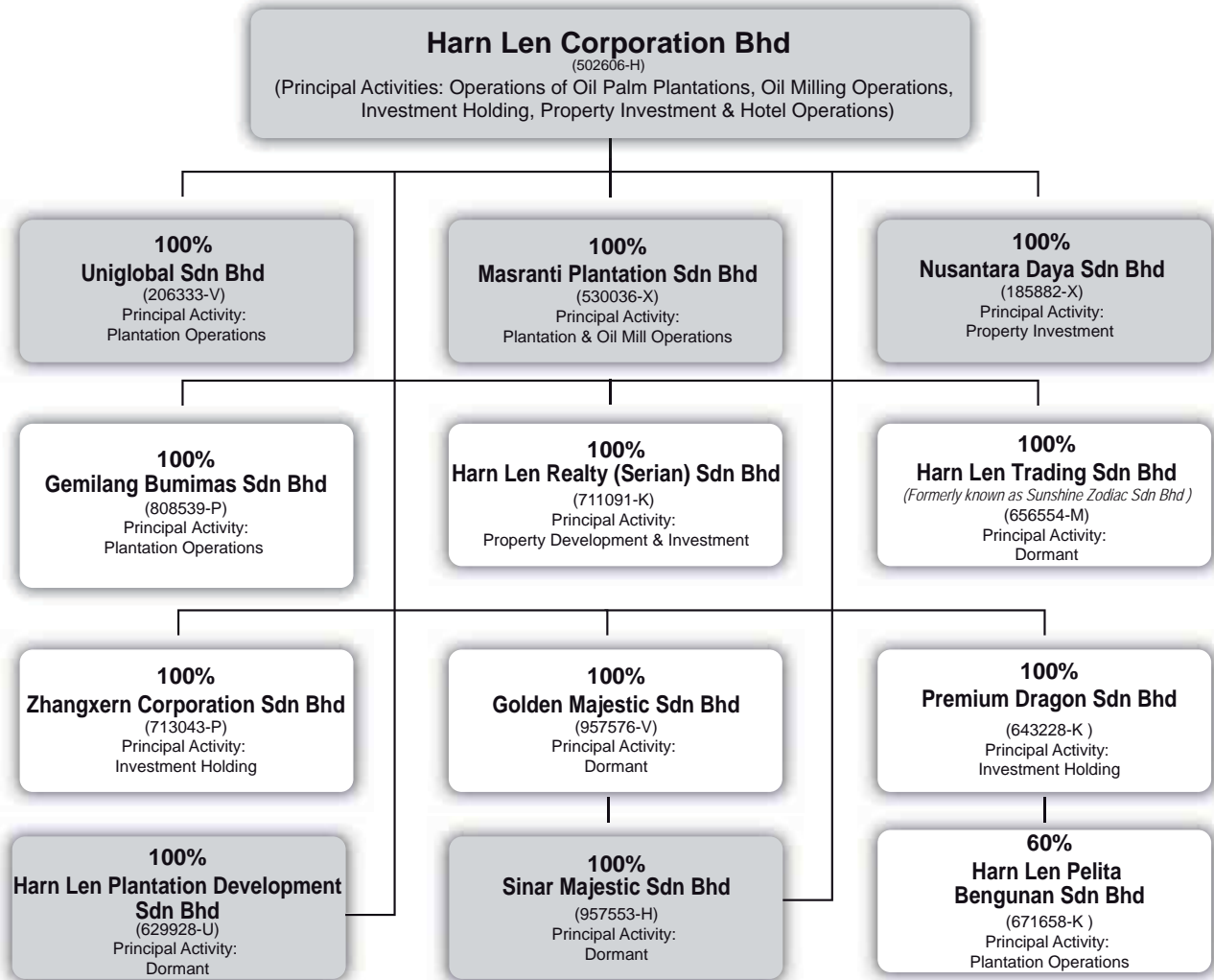
The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realized and unrealized profits, pursuant to Paragraph 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	18,972	7,644	53,107	37,541
- unrealised	(4,407)	(1,403)	(1,530)	(515)
	14,565	6,241	51,577	37,026
Add: Consolidation adjustments	41,417	40,153	--	--
Total retained earnings	55,982	46,394	51,577	37,026

The determination of realized and unrealized profits is based on the Guidance of Special Matter No.1, Determination of Realized and Unrealized Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.



# GROUP CORPORATE STRUCTURE AS AT 31 DECEMBER 2011



### Harn Len Corporation Bhd

- Senang Estate (2,116 Ha)
- Lian Hup Estate (2,124 Ha)
- Lian Hup Oil Mill
- All in Keratong

### LOCATION OF OPERATIONS

### Harn Len Corporation Bhd

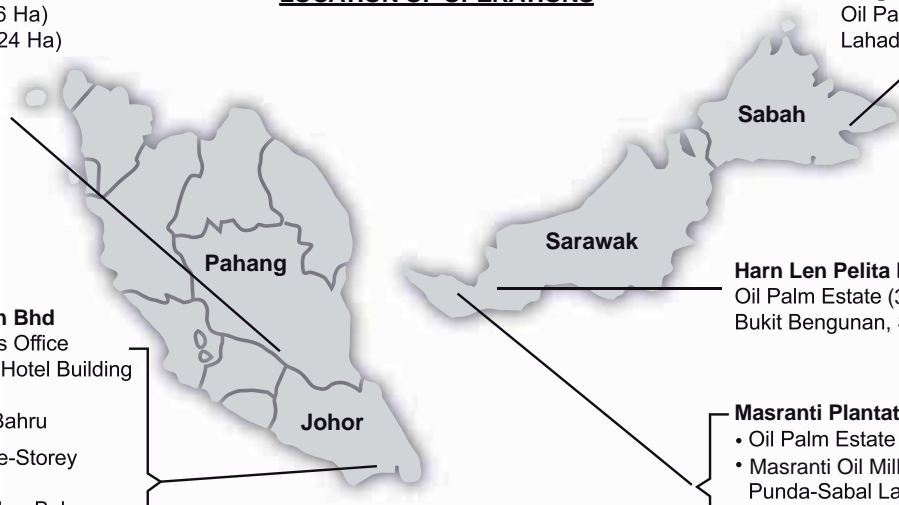
- Corporate & Business Office  
25-storey Office cum Hotel Building  
(Tropical Inn)  
Jalan Gereja, Johor Bahru
- Six (6) units of Double-Storey  
Terrace Shophouses  
Jalan Ngee Heng, Johor Bahru

### Nusantara Daya Sdn Bhd

- HS(D) 443014, PTB 21949,  
Township & District of Johor Bahru
- Vacant Land (55,592 sq ft)

### Uniglobal Sdn Bhd

- Oil Palm Estate (2,410 Ha)
- Lahad Datu



### Harn Len Pelita Bungan Sdn Bhd

- Oil Palm Estate (3,665 Ha)
- Bukit Bungan, Sri Aman Division

### Masranti Plantation Sdn Bhd

- Oil Palm Estate (4,999 Ha)
- Masranti Oil Mill
- Punda-Sabal Land, Samarahan Division

### Gemilang Bumimas Sdn Bhd

- Oil Palm Estate (925 Ha)
- Bukar-Sadong Land, Samarahan Division

### Harn Len Realty (Serian) Sdn Bhd

- Vacant land (298 Ha)
- Bukar-Sadong Land, Samarahan Division



## LIST OF PROPERTIES OF THE GROUP

Registered owner/ Location	Tenure	Area	Year of Expiry (For leasehold)	Description/ Existing Use	Net Book Value RM '000	Age of Building (years)	Date of Acquisition
<b>1. Harn Len</b>							
i) Lot 1782, Geran 27393 Township & District of Johor Bahru, Johor Darul Takzim	Freehold	40,293 sq. ft	Freehold	Office & hotel building	59,218	34	18.07.2003
ii) Lian Hup Estate - Lot PT 166, 259 - Lot PT 313 - Lot PT 345 - Lot PT 510, 521, 522 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur  Estate Buildings Factory Workshop	Leasehold	2,124.46 Hectares ("ha")	2070 2072 2074 2079	Oil Palm Plantation & Palm oil mill	38,816  1,071 603	N/A  3-35 34	18.07.2003
iii) Senang Estate - Lot PT 163, 164, 165, 255 - Lot PT 314 - Lot PT 448, 449, 450, 451 - Lot PT 515 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur  Estate Buildings	Leasehold	2,116.31 ("ha")	2070 2072 2078 2079	Oil Palm Plantation	40,324  1001	N/A  1-34	18.07.2003
iv) Double-Storey Terrace Shophouses - Lot 2046 Grn 32250 ) - Lot 2048 Grn 99923 ) - Lot 2049 Grn 99924 ) - Lot 2050 Grn 51476 ) - Lot 2051 Grn 99925 )  - Lot 2047 Grn 99922 All in Bandar Johor Bahru, District of Johor Bahru, Johor	Freehold	1707 sq ft 1617 sq ft 1613 sq ft 1655 sq ft 1706 sq ft  1634 sq ft	Freehold     Freehold	Shophouses     Shophouse	1,989     958	76     76	15.10.2010     13.04.2011
<b>2. Uniglobal Sdn Bhd</b>							
Uniglobal Estate - CL 115345401 - CL 115378115 District of Lahad Datu, Sabah  Estate Buildings	Leasehold	2,023 ha 386.80 ha	2077 2084	Oil palm Plantation	28,685  1,373	N/A  2-13	18.07.2003



## LIST OF PROPERTIES OF THE GROUP

Registered owner/ Location	Tenure	Area	Year of Expiry (For leasehold)	Description/ Existing Use	Net Book Value RM '000	Age of Building (years)	Date of Acquisition
<b>3. Masranti Plantation Sdn Bhd</b>							
Lot No 35, TRN.: 708-LCPLS-024-000-00035 Punda-Sabal Land District of Samarahan Division Sarawak	Leasehold	4,474 ha	2061	Oil palm Plantation	21,736	N/A	15.01.2004
Lot No. 38 TRN.: 708-LCPLS-024-000-00035 Punda-Sabal Land District of Samarahan Division Sarawak	Provisional Lease	525 ha	2070	Oil palm Plantation	4,232	N/A	08.09.2011
Estate Buildings					2,659	1-7	
<b>4. Nusantara Daya Sdn Bhd</b>							
- Lot 21473, Geran 27641 - Lot 21472, Geran 24609 - Lot 3898, Geran 95664 All in the Township and District of Johor Bahru	Freehold	55,592.15 sq. ft	Freehold	Vacant Land	10,300	N/A	28.11.2006
<b>5. Harn Len Pelita Bengunan</b>							
Estate Buildings					1,541	1-5	
Kara Rangua Engkaramut Bukit Bengunan, Sri Aman Division Sarawak	Leasehold	1982 Ha NCR Land	60 Years	Oil palm Plantation	2,339		23.08.2010
<b>6. Gemilang Bumimas Sdn Bhd</b>							
- Lot No 1513 TRN.: 08-LCPLS-018-000-01513 - Lot No 1514 TRN.: 08-LCPLS-018-000-01514 All in Bukar-Sadong Land District of Samarahan Division Sarawak	Provisional Lease	925 Ha	20.01.2068	Oil palm Plantation	10,822	N/A	31.05.2010
<b>7. Harn Len Realty (Serian) Sdn Bhd</b>							
- Lot No 1515 TRN.: 08-LCPLS-018-000-01515 All in Bukar-Sadong Land District of Samarahan Division Sarawak	Provisional Lease	298 Ha	20.01.2068	Vacant land	3,632	N/A	18.08.2011
					231,299		

N/A – Not Applicable

NCR – Native Customary Rights



# ANALYSIS OF SHAREHOLDINGS AS AT 26 APRIL 2011

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 : 3,228  
VOTING RIGHTS : One vote per ordinary share

## A) LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%	No. of Shares	%
1.	Tan Sri Dato' Low Nam Hui	-	-	129,234,208 <sup>*1</sup>	69.68
2.	Puan Sri Datin Chan Pui Leorn	500,000	0.27	128,734,208 <sup>*2</sup>	69.41
3.	Dato Liew Kuek Hin	-	-	114,507,245 <sup>*3</sup>	61.74
4.	Low Quek Kiong	20,000	0.01	129,214,208 <sup>*4</sup>	69.67
5.	Low Kueck Shin	-	-	129,234,208 <sup>*1</sup>	69.68
6.	Low Kwek Lee	-	-	129,234,208 <sup>*1</sup>	69.68
7.	Low Kuek Kong	-	-	129,234,208 <sup>*1</sup>	69.68
8.	Low Kuit Son	-	-	129,234,208 <sup>*1</sup>	69.68
9.	Low Kok Yong	330,000	0.18	128,904,208 <sup>*5</sup>	69.50
10.	Low Kok Yaow	-	-	129,234,208 <sup>*1</sup>	69.68
11.	Low Siew Eng	200,800	0.11	129,033,408 <sup>*6</sup>	69.57
12.	LNH Enterprise Sdn Bhd	47,808,896	25.78	16,706,863 <sup>*7</sup>	9.01
13.	Low Nam Hui United Holdings Sdn Bhd	46,286,679	24.96	-	-
14.	Seri Cemerlang Plantation (Pahang) Sdn Bhd	16,706,863	9.01	-	-
15.	Low Nam Hui & Sons Sdn Bhd	11,571,670	6.24	-	-
16.	LNH (C&E) Sdn Bhd	-	-	11,571,670 <sup>*8</sup>	6.24

### Notes:-

- \*1. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*2. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by her immediate family members Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*3. Deemed interested in the shares held by 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 Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his siblings, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Companies Act, 1965. The status of some of Dato' Liew's indirect shareholdings in Harn Len are the subject of a legal action vide Johor Bahru High Court Suit No.MT4-22-843-2005.
- \*4. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*5. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*6. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by her immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.
- \*7. Deemed interested in the shares held by Seri Cemerlang Plantation (Pahang) Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- \*8. Deemed interested in the shares held by Low Nam Hui & Sons Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.



## ANALYSIS OF SHAREHOLDINGS AS AT 26 APRIL 2011 (Cont'd)

### B) LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct		Deemed Interest in Shares	
		No. of Shares	%	No. of Shares	%
1.	Tan Sri Dato' Low Nam Hui	-	-	129,234,208 <sup>*1</sup>	69.68
2.	Puan Sri Datin Chan Pui Leorn	500,000	0.27	128,734,208 <sup>*2</sup>	69.41
3.	Low Quek Kiong	20,000	0.01	129,214,208 <sup>*3</sup>	69.67
4.	Low Kueck Shin	-	-	129,234,208 <sup>*1</sup>	69.68
5.	Low Kwek Lee	-	-	129,234,208 <sup>*1</sup>	69.68
6.	Low Kuek Kong	-	-	129,234,208 <sup>*1</sup>	69.68
7.	Loh Wann Yuan	1	0.00	-	-
8.	Lee Chon Sing	50,001	0.03	-	-
9.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
10.	Law Piang Woon	-	-	-	-

#### Notes:-

- \*1. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*2. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by her immediate family members Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*3. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

### C) DISTRIBUTION OF SHAREHOLDINGS

	No. of Holders	Holdings	Total Holdings	Percentage (%)
	45	Less than 100	1,325	0.00
	1,122	100 to 1,000	311,743	0.17
	1,404	1,001 to 10,000	7,311,605	3.94
	577	10,001 to 100,000	18,631,499	10.04
	75	100,001 to less than 5% of issued shares	38,316,879	20.66
	5	5% and above of issued shares	120,904,108	65.19
<b>Total:</b>	<u>3,228</u>		<u>185,477,159</u>	<u>100.00</u>



## ANALYSIS OF SHAREHOLDINGS AS AT 26 APRIL 2011 (Cont'd)

### C) TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Shares Held	Percentage (%)
1.	LOW NAM HUI UNITED HOLDINGS SDN BHD	46,286,679	24.96
2.	LNH ENTERPRISE SDN BHD	27,808,896	15.00
3.	HSBC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for LNH Enterprise Sdn Bhd	20,000,000	10.78
4.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	15,236,863	8.21
5.	LOW NAM HUI & SONS SDN BHD	11,571,670	6.24
6.	HLG NOMINEE (TEMPATAN) SDN BHD Hong Leong Bank Bhd for Chuan Hong Hang Sdn Berhad	6,063,800	3.27
7.	YONG YAOW PROPERTIES SDN BHD	5,034,800	2.71
8.	TOH EAN HAI	2,315,000	1.25
9.	LAW KIONG HOLDINGS SDN BHD	2,028,000	1.09
10.	HLG NOMINEE (TEMPATAN) SDN BHD Hong Leong Bank Bhd for Chuan Hong Hang Properties Sdn Bhd	1,900,000	1.02
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD Law Kiu Kiong	1,548,600	0.83
12.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	1,470,000	0.79
13.	TA NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Chor Sek Choon	1,000,000	0.54
14.	DYNAQUEST SDN BERHAD	814,100	0.44
15.	LOH LAI KIM	774,900	0.42
16.	SHANDE ANCESTRAL PARK BERHAD	774,500	0.42
17.	GAN HONG LIANG	744,300	0.40
18.	HSBC NOMINEES (ASING) SDN BHD HSBC Trustee Sg Ltd for Millionasia Properties Limited	727,800	0.39
19.	BDO CAPITAL CONSULTANTS SDN BHD Exempt An	531,193	0.29
20.	TAN CHONG LIANG @ THAN CHONG KIM	516,300	0.28
21.	PUAN SRI DATIN CHAN PUI LEORN	500,000	0.27
22.	CHIN HON PUN	465,200	0.25
23.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Koay Ean Chim (IMO/TAS)	397,000	0.21
24.	CHIN KIAN FONG	338,000	0.18
25.	ECML NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Lim Ai Choo (001)	338,000	0.18
26.	LOW KOK YONG	330,000	0.18
27.	CIMSEC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Tan Young Tat (Penang-CL)	328,600	0.18
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ng Ching Soong (470478)	328,100	0.18
29.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Lu Lip Lai (731389)	328,000	0.18
30.	CHEN FOOK WAH	316,200	0.17

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## 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 Twelfth (12<sup>th</sup>) Annual General Meeting of the Company to be held on Tuesday,  
the 26<sup>th</sup> day of June, 2012 at 11.00 a.m. at Meranti Hall, 4<sup>th</sup> Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru and at any  
adjournment thereof. \*My/our proxy is to vote as indicated below:-

Resolution No.		FOR	AGAINST
<b>Ordinary Business:-</b>			
1.	Approval of Directors' Fees		
2.	Re-election of Director - Mr Low Quek Kiong		
3.	Re-election of Director - Mr Loh Kueck Shin		
4.	Re-appointment of Director - Tan Sri Dato' Low Nam Hui		
5.	Re-appointment of Director - Mr Lee Chon Sing		
6.	Re-appointment of Director - Mr Law Piang Woon		
7.	Re-appointment of Messrs KPMG as Auditors		
<b>Special Business:-</b>			
8.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
9.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Seri Cemerlang Plantation (Pahang) Sdn Bhd		
10.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Pengangkutan Low Nam Hui Sdn Bhd		
11.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Low Nam Hui & Sons Sdn Bhd		
12.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with KangHui Travel Sdn Bhd		
13.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Advance Pinnacle Sdn Bhd		

(Please indicate with a cross (X) in the spaces 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 \_\_\_\_\_ 2012

**Notes:-**

1. Only members registered in the Record of Depositors as at 18 June 2012 are eligible to attend the Company's 12<sup>th</sup> Annual General Meeting or to appoint proxy to attend and vote on his/her behalf.
2. 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.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same Meeting.
4. 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.
5. Where a member is an authorised 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.
6. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of its attorney duly authorised.
8. 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.

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STAMP

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

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汉联机构有限公司

**HARN LEN CORPORATION BHD**  
(502606-H)

6<sup>th</sup> Floor Johor Tower, 15 Jalan Gereja  
80100 Johor Bahru, Johor, Malaysia  
Tel: (607) 222 1777 Fax: (607) 224 9213