

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth (6th) Annual General Meeting of Harn Len Corporation Bhd ("Harn Len" or "the Company") (502606-H) will be held at Chengal Room, Fourth Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru on Friday, the 16th day of June, 2006 at 11.00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors' fees for the financial year ended 31 December 2005. *(Resolution 1)*
3. To re-elect Mr Low Kuek Kong, a Director retiring in accordance with Article 84 of the Company's Articles of Association. *(Resolution 2)*
4. To re-elect Mr Lee Chon Sing, a Director retiring in accordance with Article 84 of the Company's Articles of Association. *(Resolution 3)*
5. To re-elect Brig. Jen. (B) Dato' Ali Bin Hj Musa, a Director retiring in accordance with Article 84 of the Company's Articles of Association. *(Resolution 4)*
6. To consider and if thought fit, pass the following resolution:

"That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Dato' Low Nam Hui who is over 70 years of age be re-appointed Director of the Company to hold office until the next Annual General Meeting."  
*(Resolution 5)*

7. To re-appoint the retiring Auditors, Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration. *(Resolution 6)*

## Special Business :

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

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

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares so issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."  
*(Resolution 7)*

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

"That, subject always to the Bursa Malaysia Listing Requirements, the Company and/or its subsidiary shall be mandated to enter into the category of recurrent transactions of a revenue or trading nature as specified in Section 2.2 of the Circular dated 25 May 2006 with Seri Cemerlang Plantation (Pahang) Sdn Bhd subject further to the following:

- i) the recurrent related party transactions are in the ordinary course of business which are necessary for the day to day operations and are on terms not more favourable than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the shareholders; and
- ii) disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Bursa Malaysia Listing Requirement and as set out in Section 2.2 of the Circular dated 25 May 2006;
- 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."  
*(Resolution 8)*

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

"That, subject always to the Bursa Malaysia Listing Requirements, the Company and/or its subsidiary shall be mandated to enter into the category of recurrent transactions of a revenue or trading nature as specified in Section 2.2 of the Circular dated 25 May 2006 with Pengangkutan Low Nam Hui Sdn Bhd subject further to the following:



- i) the recurrent related party transactions are in the ordinary course of business which are necessary for the day to day operations and are on terms not more favourable than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the shareholders; and
- ii) disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Bursa Malaysia Listing Requirements and as set out in Section 2.2 of the Circular dated 25 May 2006;
- 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." *(Resolution 9)*

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

By Order of The Board

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

Johor Bahru  
 25 May 2006

**NOTES:-**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same Meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of its attorney duly authorised.
6. The Proxy Form must be deposited with the Company Secretary at the Registered Office, 6th Floor, Johor Tower, 15, Jalan Gereja, 80100 Johor Bahru, Johor, not less than 48 hours before the time set for the Meeting.
7. **Explanatory Notes on Special Business :**

*Resolution 7 - Authority to allot and issue shares*

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

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

*The Ordinary Resolutions Nos 8 & 9 proposed in Agenda 9 & 10 above, if passed, will renew the mandates for the Company and/or its subsidiaries to enter into the categories of recurrent transactions of a revenue or trading nature with Seri Cemerlang Plantation (Pahang) Sdn Bhd and Pengangkutan Low Nam Hui Sdn Bhd respectively as specified in Section 2.2 of the Circular to Shareholders dated 25 May 2006, which is sent out together with the Company's Annual Report 2005. The mandates shall continue in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company in a general meeting and is subject to renewal.*

# Statement Accompanying Notice of Annual General Meeting



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

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

## Detail of attendance of Directors at Board Meetings

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

## Sixth (6th) Annual General Meeting of Harn Len Corporation Bhd

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

Date and Time : Friday, 16 June, 2006 at 11.00 a.m.

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

The Directors' shareholdings as at 20 April 2006

No.	Name Of Shareholders	Direct		Deemed interest in shares	
		No. of shares	%	No. of shares	%
1.	Low Kuek Kong	-	-	115,900,309* <sup>1</sup>	62.48
2.	Lee Chon Sing	50,001	0.03	-	-
3.	Brig. Jen. (B) Dato' Ali Bin Hj Musa	-	-	-	-
4.	Tan Sri Dato' Low Nam Hui	-	-	54,196,596* <sup>2</sup>	29.22

### Note:-

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

\*2. By virtue of his interests in LNH Enterprise Sdn Bhd, Low Nam Hui (C & E) Sdn Berhad and Yong Yaow Properties Sdn Bhd and the shares held by of his children, Low Quek Kiong and Dato' Liew Kuek Hin pursuant to Section 6A of the Companies Act, 1965.

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

\* Please refer to the section on Profile of Directors on page 6 of the Annual Report.

# Corporate Information



*From left to right:*

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

## **DIRECTORS**

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

## **REGISTERED OFFICE/ BUSINESS ADDRESS**

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

## **SECRETARIES**

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

## **SHARE REGISTRAR**

Messrs Chua, Woo & Company Sdn Bhd (122754-U)  
Suite 13-01, 13<sup>th</sup> Floor  
City Plaza, Jalan Tebrau  
80300 Johor Bahru  
Telephone : 07- 3322088  
Facsimile : 07- 3328096

## **AUDITORS**

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

## **PRINCIPAL BANKERS**

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

## **STOCK EXCHANGE LISTING**

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



# Profile of Directors

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

*EXECUTIVE CHAIRMAN, NON-INDEPENDENT*

Tan Sri Dato' Low Nam Hui, aged 88, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and was subsequently appointed the Executive Chairman on 1 August 2003. Currently, he is also the Chairman and Managing Director of Low Nam Hui & Sons Group of Companies ("LNHS Group"). An entrepreneur, immediately after the Second World War, he started off as a timber trader and then ventured into transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations, property development and hotel operations.

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

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

Tan Sri Dato' Low is the father of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. He is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 25 of the Financial Statements.

## **LOW QUEK KIONG**

*NON-INDEPENDENT, EXECUTIVE*

Low Quek Kiong ("Low QK"), aged 54, 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. Mr Low QK oversees the financial and operations aspects of the Harn Len Group.

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

Mr Low QK is the son of Tan Sri Dato' Low and the brother of Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. Mr Low QK is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 25 of the Financial Statements.

## **LOW KUECK SHIN**

*NON-INDEPENDENT, EXECUTIVE*

Low Kueck Shin ("Low KS"), aged 49, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low obtained his Higher National Diploma in Business Studies from Croydon Technical College, London, England. He has more than 20 years experience in the oil palm plantation business. Mr Low KS oversees the operations and the business development aspects of the Harn Len Group.

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 Honorary Treasurer of Johor Bahru Chinese Chamber of Commerce and Industry and Deputy President of Johore Associated Chinese Chambers of Commerce and Industry. He is currently also a National Council Member of The Associated Chinese Chambers of Commerce and Industry of Malaysia.

Mr Low KS is the son of Tan Sri Dato' Low and the brother of Mr Low Quek Kiong, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. Mr Low KS is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 25 of the Financial Statements.

## **LOW KWEK LEE**

*NON-INDEPENDENT, EXECUTIVE*

Low Kwek Lee ("KL Low"), aged 47, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr KL Low obtained his Higher National Diploma in Business Studies from Brighton Technical College, London, England in 1980. He joined his family-owned diversified business with major interests in logging, transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations and hotel operations after completing his education. Mr KL Low oversees the property division of Harn Len Group.

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

Mr KL Low is the son of Tan Sri Dato' Low and the brother of Mr Low Quek Kiong, Mr Low Kueck Shin and Mr Low Kuek Kong who are all directors of the Company. Mr KL Low is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 25 of the Financial Statements.



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

**Low Kuek Kong** ("Low KK"), aged 39, 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. He joined his family-owned transportation business in 1996 and since 1998, he was the Plantation Manager for the LNHS's Group. Currently, Mr Low KK oversees the logistic aspects of all the plantations within the Harn Len Group.

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

Mr Low KK is the son of Tan Sri Dato' Low and the brother of Mr Low Quek Kiong, Mr Low Kueck Shin and Mr Low Kwek Lee who are all directors of the Company. Mr Low KK is a substantial shareholder of the Company by virtue of his indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 25 of the Financial Statements.

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

**Lee Chon Sing**, aged 64, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002 and was subsequently appointed the Group General Manager of Harn Len on 1 August, 2003. He is a member of the Audit Committee and Remuneration Committee. He graduated from Nanyang University, Singapore with a Degree in Economics in 1965. He joined the LNHS Group in 1966 and was the General Manager of LNHS Group until July 2003.

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

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

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

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

Mr Loh graduated from University of London with a Bachelor of Law Degree and Masters in Law. He was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1994. He has been in active practice for the past 11 years with considerable experience in conveyancing and corporate laws. He is a member of the Johor Bar Committee serving also as Chairman of the Conveyancing Sub-Committee. He is also a member of the

Conveyancing Practice Committee and Corporate & Banking Law Committee of the Bar Council.

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

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

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

**Brig. Jen. (B) Dato' Ali Bin Hj Musa**, aged 64, a Malaysian, was appointed to the Board of Harn Len on 25 February, 2003. Brig. Jen. (B). Dato' Ali is the Chairman of the Remuneration Committee and also sits on the Nomination Committee.

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

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

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

**Law Piang Woon**, aged 65, a Malaysian, was appointed to the Board of Harn Len on 5 August 2003. He is currently a member of the Audit Committee and Nomination Committee. He holds a Bachelor in Commerce (Accountancy) and is currently practising as a Public Accountant. Apart from his qualification as a Chartered Accountant of Malaysia, he holds various qualifications including Certified Public Accountant (Australia), Certified Public Accountant (Singapore) and Fellow of Taxation Institute, Inc [FTII(M)].

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

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

**CONVICTION OF OFFENCE**

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



# Chairman's Statement



## Introduction

On behalf of the Board of Directors, I am pleased to present to the shareholders the third annual report for Harn Len Corporation Bhd ("Harn Len") and an overview of the performance and results of the Company for the financial year ended 31 December 2005 and an assessment of the prospects for the forthcoming year.



## Financial Performance

For the financial year ended 31 December 2005, Harn Len Group recorded a turnover of RM64,045,687 as compared to a turnover of RM72,487,302 for financial year 2004. This represents a decline of approximately 11.64% year on year. As a result, profit before tax declined from RM10,603,036 to RM7,989,482 for financial year 2005. The main reason for this is the decline in crude palm oil ("CPO"), fresh fruit bunches ("FFB") and palm kernel prices. In 2005, average CPO prices declined to RM1,394 per metric tonne as against RM1,610 in the previous financial year.

Further, a machinery refurbishment and upgrading exercise was undertaken for the Company's palm oil mill which resulted in a significant lower intake of FFB in the financial year. Profit before tax was however enhanced by a gain of RM3,606,441 arising from early redemption of RM44,310,095 nominal value of 1.5% 2003/2008 Redeemable Convertible Secured Loan Stocks ("RCCLS") which had been issued to Danaharta Managers Sdn Bhd.

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

## Prospects

The financial performance of the Group for the forthcoming year will again largely depend on the outlook for the oil palm industry. The Malaysian oil palm industry recorded a mixed performance in 2005 with continued strong growth in production which has resulted in higher closing stocks at the end of the year. This has however been dampened by a dip in prices and export earnings.

Production of CPO in the country increased for the seventh year in succession with production reaching 15.0 million





tonnes in 2005 from 14.0 million tonnes from the previous year. This is mainly attributed to an increase in mature areas, enhanced plantation and mill management and continued improvement in oil extraction rates.

Total export volume of oil palm products, constituting CPO, palm kernel oil, palm kernel cake, oleochemicals and finished products increased by 7.3% or 1.26 million tonnes to 18.62 million tonnes in 2005 from 17.36 million tonnes in 2004. However, total export revenue of oil palm products declined by 6.1% or RM1.84 billion to RM28.6 billion compared to RM30.44 billion in 2004 mainly due to a decline in the price of CPO. After an upward trend in the previous three years, average prices of oil palm products saw a dip in 2005 which may be attributed to high opening stocks, renewed concerns over the continued build-up of domestic stocks owing to poor export growth during the second half of the year and lower soyabean oil prices in the world market. The de-pegging of the Ringgit in July 2005 also had the effect of dampening sentiment. Average CPO prices declined by 13.4% in 2005 to RM1,394 per metric tonne as compared to RM1,610 in 2004. The highest and lowest monthly CPO prices were recorded in October and February respectively at RM1,455 per metric tonne and RM1,305 per metric tonne respectively. As a result, average export prices for processed palm oil products also declined.

For the year ahead, CPO production is anticipated to see a smaller growth and this should have the effect of mitigating the impact of higher closing stocks carried over from the previous year. Demand should remain robust with the abolishment of palm oil import quota by China, which is the largest export market for Malaysian palm oil. The promotion of trans-fat labeling in the United States and the increasing worldwide demand for

biodiesel in the midst of rising crude oil prices are significant trends that will continue to bolster palm oil prices over the longer term.

During FY2005, upgrading and refurbishment of the Company's palm oil mill was completed. Further, planting of the entire plantable area of 4,299 hectares ("Ha") (10,623 acres) belonging to Masranti Plantation Sdn Bhd ("MPSB") has been completed and it is expected to contribute to the profits of the Group from this financial year onwards.

Harn Len's joint-venture company with the Sarawak state government, Harn Len Pelita Bengunan Sdn Bhd, has commenced planting on the designated 23,500 Ha (58,068 acres) of land in Sarawak with planting already completed on an initial area of 1,000 Ha (2,471 acres) as at the end of 31 December 2005. A further 9,000 Ha (22,239 acres) is expected to be planted within the next few years. I would like shareholders to note that the Group's oil palm acreage has increased to 13,354 Ha (32,998 acres) at present from 6,651 Ha (16,435 acres) when it was first listed in July 2003 and will continue to look at increasing its acreage, in particular in East Malaysia.

The Board remains cautiously optimistic about the prospects of Company in the forthcoming financial year with the anticipated contributions from MPSB and the completion of the upgrading works for the palm oil mill. Improved yields can also be expected from the maturing plantations in Sabah.





## Corporate Development

Harn Len had on 28 April 2005 entered into a management agreement with Value Hospitality Limited ("VHL") for VHL to manage, operate and undertake marketing for Tropical Inn as part of a rebranding exercise. As part of the exercise, extensive renovations will be undertaken and it is hoped that with the expertise of VHL, the hotel operations will return to profitability.

On 30 May 2005, Harn Len had completed the early redemption of RM44,310,095 nominal value of 1.5% 2003/2008 RCSLS based on the sum equivalent of RM0.85 per RM1.00 nominal value of RCSLS issued or a total value of RM37,663,581. The RCSLS had been issued to Danaharta Managers Sdn Bhd as part of the restructuring scheme of Sportma Corporation Berhad. The early redemption will enable Harn Len to refinance its borrowings at a lower effective interest rate and thereby yield interest savings for the Company over the longer term.

## Appreciation

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

TAN SRI DATO' LOW NAM HUI  
Executive Chairman  
17 April 2006

## 主席报告书

### 前言

本人谨代表董事部向诸位股东提呈汉联机构有限公司(汉联)的第三次年报及回顾截至公元2005年12月31日的公司表现及业绩并评估来年的业务展望。

### 财务报告

集团在本财政年度截至2005年12月31日取得为数RM64,045,687的营业额。较2004年的RM72,487,302略为



逊色了11.64%。集团的得课税前盈利因此也从RM10,603,036下降至RM7,989,482。其主要原因为原棕油,原棕果及果仁油的价格在2005年略为滑落所致。原棕油于2005年的平均价为每公吨RM1,394较2004年的RM1,610略为逊色。

此外,公司的棕油厂在2005年所进行的翻新及提升工作也造成油厂减少原棕果的纳入量。然而,集团的课税后盈利却因提早赎回为数RM44,310,095的1.5%年率的2003/2008可赎回有担保债券('RCSLS')而增加了RM3,606,441。

董事部不建议在即将来临的股东大会推荐分发此财政年度之股息。

### 未来展望

集团的来年展望将取决于棕油业的整体表现。马来西亚的棕油业于2005年取得中肯的表现。棕油产量持续增长并在年底以较高的原油库存储备姿态作收。但此势却造成原棕油价下挫及出口盈利锐减。

马来西亚原棕油的产量持续7年增长并在2005年创下1千5百万公吨的记录,较2004年的1千4百万公吨为佳。此均归功于成熟产区的扩大,产量的增长,高效率的油厂管理及持续改进的棕油榨取率所促成。

棕油产品即包括棕油,棕仁油,棕仁膏,化学油脂及其他成品的总出口量增长7.3%或增长1百26万公吨至1千8百62万公吨。2004年为1千7百36万公吨。但总出口收入却因原棕油价格的滑落而下跌6.1%或RM18.4亿至RM28.6亿。2004年为



RM304.4亿。原棕油价格经过3年的连续高涨后于2005年回软。其主因包括高开市库存，因出口下降而造成的国内原油存货高企的隐忧以及国际大豆价格低廉所造成。马币汇率于2005年7月的重新调整后也加剧了棕油的下跌态势。原棕油的平均价格在2005年较去年下跌了13.4%至每公吨RM1,394。2004年为每公吨RM1,610。原棕油的最高及最低价格分别于10月及2月创下即每公吨RM1,455及RM1,305。因此，经处理的原棕油产品的平均价格全面滑落。

来年的原棕油产量预计将只略为增长。此情况将缓和去年高库存的压力。原棕油的需求将因中国入口限制的废除而保持强劲。马来西亚作为中国主要棕油出口国则将从中获益。美国国内所推行的转脂肪标签活动及全球因石油价格偏高而产生对于生物柴油的殷切需求将持续激励棕油价格的长期走势。

公司棕油厂的翻新及提升工作也于2005年完成。于此同时，Masranti 园丘该段4,474.50公顷的种植工作顺利于2005年完成。该园丘预计将于今年开始为集团的收入作出贡献。

汉联与砂拉越政府的联营公司即Harn Len Pelita Bungan Sdn Bhd 也已开始开发于该州的一段23,500公顷(58,068英亩)油棕园丘。截至2005年12月31日，其中1,000公顷(2,471英亩)的地段以完成种植工作。另9,000公顷(22,239英亩)地段预计将于未来几年完成开发及种植工作。我藉此机会向所有股东宣布：集团的总油棕园丘面积已从2003年刚上市时的6,651公顷(16,435英亩)扩展至现有的13,354公顷(32,998英亩)。

董事部对于来年的前景保持谨慎乐观态度。除经提升的棕油厂及Masranti园丘的正面贡献外，位于沙巴渐成熟的油棕园丘也将提高集团的整体盈利表现。

## 企业发展

汉联于2005年4月28日委任 Value Hospitality Limited ('VHL')管理，经营及为 Tropical Inn 进行一系列的品牌重新塑造活动。其中一项品牌重新塑造活动是为酒店的从新装璜。希望通过VHL的专业技能，酒店将重新取得盈利。

汉联也于2005年5月30日完成向资产经理有限公司 ('Danaharta Managers Sdn Bhd') 以每单位RM0.85的价格即总值RM37,663,581 提早赎回每股RM1.00 为数RM44,310,095的1.5%年率的2003/2008可赎回有担保债券(RCSLS)。该可赎回有担保债券是在重组 Sportma Corporation Berhad 时所发行的。在此番提早赎回债券活动后，汉联将以低利息方式取得再融资从而节省长期利息开销。

## 致谢

本人谨代表董事部感谢股东们的支持，感谢管理层及集团旗下员工们的忠诚奉献。本人也同时要感谢集团的客户，生意伙伴，供应商，政府官员们的持续支持。最后，我要对所有董事部成员们的宝贵意见及奉献给予万二分的谢意。

丹斯里拿督刘南辉  
执行主席  
2006年4月17日





HARN LEN CORPORATION BHD ANNUAL REPORT 2005

# Statement on Corporate Governance

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

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

## **BOARD OF DIRECTORS**

### **Responsibilities**

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

### **Composition and Balance**

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

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

### **Supply of Information**

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

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

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



## Attendance

For financial year ended 31 December 2005, the number of board meetings held was four(4) and the attendance of the Directors at the Board meetings is as follows:

	No. of meetings attended
Tan Sri Dato' Low Nam Hui	4
Low Quek Kiong	4
Low Kueck Shin	4
Low Kuek Lee	4
Low Kuek Kong	4
Lee Chon Sing	4
Loh Wann Yuan	4
Brig. Jen. (B) Dato' Ali bin Haji Musa	3
Law Piang Woon	4

## Directors' Training

As part of the process of appointment, new Directors are provided with an orientation and familiarisation programme which include briefings by senior management and attendance of the Mandatory Accreditation Programme (MAP) conducted by the Bursa Malaysia Securities Berhad. As at 31 December 2005, all directors have completed the MAP. The Directors are encouraged to attend relevant Continuing Education Programmes (CEP) and seminars to further enhance their skills and knowledge and keep abreast with new regulatory requirements.

For the financial year ended 31 December 2005, the Directors attended the following courses and training:-

- Course on "Fraud Risk & Prevention & Business Continuity planning training" (one day)
- Course on "Corporate Governance in Malaysia: The way forward" (one day)
- Workshop on "Credit & Financial Analysis" (one day)
- Course on "Executing corporate change management for company directors and senior management" (one day)
- Course on "Management audit in relation to risk management in enhancing corporate governance" (two days)
- Course on "Transactions by directors & conduct of effective meetings" (one day)



### Nomination Committee

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

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

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

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

### Remuneration Committee

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

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

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

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

### Directors' Remuneration

The aggregate remuneration of the Directors who had served during the financial year ended 31 December 2005 categorized into appropriate components is as follows:

	<b>Executive Directors</b>	<b>Non-Executive Directors</b>
Salaries and allowances	RM3,549,680	RM 78,000
Fees	Nil	RM180,000
Attendance fees	Nil	RM 26,000



Breakdown of aggregate remuneration for the year of Directors who had served during the financial year ended 31 December 2005 in bands of RM50,000 are as follows:

Remuneration	No. of Directors	
	Executive	Non-Executive
RM1 to RM50,000	-	-
RM50,001 to RM100,000	-	3
RM200,001 to RM250,000	1	-
RM250,001 to RM300,000	1	-
RM300,001 to RM350,000	1	-
RM600,001 to RM650,000	2	-
RM1,450,000 to RM1,500,000	1	-

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

It is the responsibility of the Board, with the assistance of the Audit Committee, to ensure that the presentation of the Company's financial statements are in accordance with the Companies Act 1965 (true and fair view) and the Bursa Malaysia Listing Requirements (i.e. periodic disclosures). The Board ensures that the application of accounting policies and standards are consistent with accepted standards. The Statement by the Board pursuant to Paragraph 15.27(a) of the Bursa Malaysia Listing Requirements on its responsibilities in preparing the financial statements is set out on page 16.

### Relationship with Auditors

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

### Audit Committee

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

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

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

### Internal Control

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

## SHAREHOLDERS

### Dialogue with Investors

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

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

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

### **Annual General Meeting**

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

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

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

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

Statement made in accordance with the resolution of the Board of Directors dated 27 February 2006.

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

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

The Directors consider that in preparing the financial statements:

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

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

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

Statement made in accordance with the resolution of the Board of Directors dated 17 April 2006.



# Additional Compliance Information

## **1. Non-Audit Fees**

The amount of non-audit fees paid and payable to the external auditors by the Company for the financial year ended 31 December, 2005 was RM83,000.

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

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



# Report of the Audit Committee

## Composition

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

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

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

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

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

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

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

## Members

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

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



## Objectives

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

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

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

## Duties and Responsibilities

The principal duties and responsibilities of the AC shall include:

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



### **Authority**

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

### **Meetings and activities**

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

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

The AC held four (4) meetings during the financial year ended 31 December 2005 with all members of the AC in attendance. The dates of the meetings were 25 February 2005, 19 May 2005, 25 August 2005 and 29 November 2005. During the year under review, the activities of the AC included :

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

# Statement on Internal Control

## Introduction

The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2005.

## Board's Responsibility

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

## Risk Management Framework

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

## Internal Audit Function

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

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

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

## Other Control Processes

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

- Regular visits to operating units by members of the Board and senior management whenever appropriate.
- An organization structure with clearly defined lines of authority and the appropriate levels of delegation.
- A detailed annual budgeting process for each area of business approved by the Board. Actual performance compared with budget is reviewed quarterly and followed-up by Management on major variances.
- Management meeting is held regularly to discuss on the Group's operational and management issues.
- Regular reviews to assess the effectiveness of internal control procedures is carried out by an external consulting firm and external auditor and their findings and recommendations are reported to the Audit Committee.



- All major decisions are subject to detailed appraisal and review. The Board receives regular and comprehensive information covering all divisions and departments within the Group.
- Policies and procedures are clearly communicated to all staff members via circulars and internal memorandum.
- Adequate financial and operational information systems are in place to capture and present timely and pertinent internal business information.

**Weaknesses in Internal Control That Result in Material Losses**

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

