

# FINANCIAL STATEMENT

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## DIRECTORS' REPORT

### For the year ended 31 December 2007

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 2007.

#### Principal activities

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

The principal activities of the subsidiaries are disclosed in Note 7 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 attributable to:		
Shareholders of the Company	12,580,905	11,878,540
Minority interest	48,721	-
	<u>12,629,626</u>	<u>11,878,540</u>

#### Reserves and provisions

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

#### Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any 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  
 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 Hj. Musa

#### Directors' interests

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at 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 2007
		At 1 January 2007	Bought	Sold	
<b>Company</b>					
Tan Sri Dato' Low Nam Hui	Deemed	54,113,596 <sup>*1</sup>	3,200,000	(1,249,900)	56,063,696 <sup>*1</sup>
Mr. Low Quek Kiong	Direct	20,000	-	-	20,000
	Deemed	116,025,009 <sup>*2</sup>	12,229,714	(14,634,500)	113,620,223 <sup>*2</sup>
Mr. Low Kueck Shin	Deemed	116,045,009 <sup>*3</sup>	12,229,714	(14,634,500)	113,640,223 <sup>*3</sup>
Mr. Low Kwek Lee	Deemed	115,900,309 <sup>*3</sup>	12,229,714	(14,489,800)	113,640,223 <sup>*3</sup>
Mr. Low Kuek Kong	Deemed	115,900,309 <sup>*3</sup>	12,229,714	(14,489,800)	113,640,223 <sup>*3</sup>
Mr. Lee Chon Sing	Direct	50,001	-	-	50,001
Mr. Loh Wann Yuan	Direct	1	-	-	1

## DIRECTORS' REPORT (Cont'd)

### For the year ended 31 December 2007

Name of Directors	Interest	At 1 January 2007	Number of warrants		At 31 December 2007
			Bought	Sold	
<b>Company</b>					
Tan Sri Dato' Low Nam Hui	Deemed	-	400,000	-	400,000 <sup>*4</sup>
Mr. Low Quek Kiong	Deemed	35,718,587 <sup>*5</sup>	400,000	(35,708,300)	410,287 <sup>*5</sup>
Mr. Low Kueck Shin	Deemed	35,718,587 <sup>*5</sup>	400,000	(35,708,300)	410,287 <sup>*5</sup>
Mr. Low Kwek Lee	Deemed	35,718,587 <sup>*5</sup>	400,000	(35,708,300)	410,287 <sup>*5</sup>
Mr. Low Kuek Kong	Deemed	35,718,587 <sup>*5</sup>	400,000	(35,708,300)	410,287 <sup>*5</sup>

\*1 By virtue of his interest in LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd. and Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and the direct interests of his children, Mr. Low Quek Kiong and Mr. Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.

\*2 By virtue of his interest in Lian Hup Manufacturing Company Sdn. Berhad, Syarikat Senang Oil Palm Estate Sdn. Bhd., Perdana Properties Berhad, LNH Enterprise Sdn. Bhd. and Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and the direct interests of his sibling, Mr. Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.

\*3 By virtue of his interest in Lian Hup Manufacturing Company Sdn. Berhad, Syarikat Senang Oil Palm Estate Sdn. Bhd., Perdana Properties Berhad, LNH Enterprise Sdn. Bhd. and Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and the direct interests of his siblings, Mr. Low Quek Kiong and Mr. Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.

\*4 By virtue of his deemed interests in the warrants held by his child, Mr. Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.

\*5 By virtue of his deemed interests in Perdana Properties Berhad and Low Nam Hui & Sons Sdn. Bhd. and the warrants held by his sibling, Mr. Low Kok Yong 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, 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 the subsidiaries during the financial year to the extent that Harn Len Corporation Bhd has an interest.

#### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with the Company and certain subsidiaries in the ordinary course of business as disclosed in Note 30 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 except for warrants granted by the Company as disclosed below.

#### 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.



## **DIRECTORS' REPORT (Cont'd)**

### **For the year ended 31 December 2007**

#### **Warrants**

Pursuant to the Abridged Prospectus dated 18 July 2003, 30,000,000 free detachable warrants were issued to entitled shareholders who subscribed for the Rights Issue of 30,000,000 new Harn Len shares. In addition, 44,310,095 warrants were also issued on 18 July 2003 in conjunction with the issuance of RM44,310,095 nominal value of 1.5% five (5) years RCCLS.

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

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

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

#### **Other statutory information**

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

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

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the 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.

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 results of the operations of the Group and of the Company for the year ended 31 December 2007 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.

**DIRECTORS' REPORT (Cont'd)**  
**For the year ended 31 December 2007**

**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: 16 April 2008

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## STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 31 to 70, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the financial year ended on that date.

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: 16 April 2008

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## STATUTORY DECLARATION

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

I, **Low Quek Kiong**, the Director primarily responsible for the financial management of HARN LEN CORPORATION BHD, do solemnly and sincerely declare that the financial statements set out on pages 31 to 70 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Johor Bahru in the State of Johor on 16 April 2008.

**Low Quek Kiong**

Before me:

R. Ramasamy (No: J-058)  
Commissioner For Oaths

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## REPORT OF THE AUDITORS TO THE MEMBERS OF HARN LEN CORPORATION BHD

We have audited the financial statements set out on pages 31 to 70. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the financial year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Ang Ah Leck**  
Partner  
Approval Number: 1991/09/09 (J)

Johor Bahru,

Date: 16 April 2008

## BALANCE SHEETS

As at 31 December 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>Assets</b>					
Property, plant and equipment	3	95,336,169	91,974,763	80,776,324	78,475,853
Prepaid lease payments	4	138,011,631	140,124,201	84,123,781	85,369,657
Biological assets	5	79,901,828	72,950,322	-	-
Investment property	6	11,815,967	10,406,908	-	-
Investments in subsidiaries	7	-	-	87,089,097	87,089,097
Goodwill on consolidation	8	7,616,523	7,616,523	-	-
<b>Total non-current assets</b>		<u>332,682,118</u>	<u>323,072,717</u>	<u>251,989,202</u>	<u>250,934,607</u>
Inventories	9	4,280,499	4,129,312	1,770,250	1,575,768
Trade and other receivables	10	7,861,407	4,448,363	55,559,174	33,035,335
Tax recoverable		400,266	-	398,439	-
Cash and cash equivalents	11	2,254,175	1,952,539	1,040,191	1,363,439
<b>Total current assets</b>		<u>14,796,347</u>	<u>10,530,214</u>	<u>58,768,054</u>	<u>35,974,542</u>
<b>Total assets</b>		<u>347,478,465</u>	<u>333,602,931</u>	<u>310,757,256</u>	<u>286,909,149</u>
<b>Equity</b>					
Share capital		185,477,159	185,477,159	185,477,159	185,477,159
Reserves		24,146,968	11,566,063	14,547,869	2,669,329
<b>Total equity attributable to shareholders of the Company</b>	12	209,624,127	197,043,222	200,025,028	188,146,488
<b>Minority interest</b>	13	(18,066)	(66,787)	-	-
<b>Total equity</b>		<u>209,606,061</u>	<u>196,976,435</u>	<u>200,025,028</u>	<u>188,146,488</u>
<b>Liabilities</b>					
Deferred tax liabilities	14	10,382,795	11,131,510	36,632	182,464
Retirement benefits	15	438,385	192,000	438,385	192,000
Loans and borrowings (secured)	16	71,142,536	78,884,928	48,720,226	47,047,802
<b>Total non-current liabilities</b>		<u>81,963,716</u>	<u>90,208,438</u>	<u>49,195,243</u>	<u>47,422,266</u>
Trade and other payables	17	28,592,800	28,052,117	37,733,649	36,251,756
Loans and borrowings (secured)	16	26,394,395	15,998,685	23,803,336	13,884,900
Taxation		921,493	2,367,256	-	1,203,739
<b>Total current liabilities</b>		<u>55,908,688</u>	<u>46,418,058</u>	<u>61,536,985</u>	<u>51,340,395</u>
<b>Total liabilities</b>		<u>137,872,404</u>	<u>136,626,496</u>	<u>110,732,228</u>	<u>98,762,661</u>
<b>Total equity and liabilities</b>		<u>347,478,465</u>	<u>333,602,931</u>	<u>310,757,256</u>	<u>286,909,149</u>

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

**INCOME STATEMENTS**

For the year ended 31 December 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	18	101,066,920	70,902,573	83,879,550	54,448,163
Cost of goods sold		(56,533,655)	(43,301,617)	(45,571,598)	(33,718,564)
<b>Gross profit</b>	18	<u>44,533,265</u>	<u>27,600,956</u>	<u>38,307,952</u>	<u>20,729,599</u>
Other income		231,830	4,941,233	216,958	6,480,414
Administrative expenses		(15,923,686)	(14,534,908)	(13,186,316)	(10,966,203)
Distribution expenses		(3,818,370)	(2,123,034)	(2,472,487)	(1,608,725)
Other expenses		(257,395)	(887,295)	(7,374)	(249,147)
<b>Results from operating activities</b>		<u>24,765,644</u>	<u>14,996,952</u>	<u>22,858,733</u>	<u>14,385,938</u>
Interest income		8,353	120,920	8,353	120,920
Finance costs	19	(5,709,765)	(5,338,037)	(4,612,637)	(4,438,216)
<b>Profit before tax</b>	20	<u>19,064,232</u>	<u>9,779,835</u>	<u>18,254,449</u>	<u>10,068,642</u>
Tax expense	21	(6,434,606)	(4,320,038)	(6,375,909)	(3,321,956)
<b>Profit for the year</b>		<u>12,629,626</u>	<u>5,459,797</u>	<u>11,878,540</u>	<u>6,746,686</u>
<b>Attributable to:</b>					
Shareholders of the Company		12,580,905	5,489,135	11,878,540	6,746,686
Minority interest		48,721	(29,338)	-	-
<b>Profit for the year</b>		<u>12,629,626</u>	<u>5,459,797</u>	<u>11,878,540</u>	<u>6,746,686</u>
Basic and diluted earning per ordinary share (sen)	22	<u>6.8</u>	<u>3.0</u>		

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	← Attributable to shareholders of the Company →			(Accumulated losses)/ Distributable	Total	Minority interest	Total equity
	← Non-distributable →		Retained earnings				
	Share capital	Share premium	Capital reserve	RM	RM	RM	RM
	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>							
<b>At 1 January 2006</b>							
Redemption of RCCLS	185,477,159	6,634,854	6,268,000	(6,825,926)	191,554,087	(37,449)	191,516,638
Profit for the year	-	-	-	5,489,135	5,489,135	(29,338)	5,459,797
<b>At 31 December 2006</b>	185,477,159	6,634,854	6,268,000	(1,336,791)	197,043,222	(66,787)	196,976,435
Profit for the year	-	-	-	12,580,905	12,580,905	48,721	12,629,626
<b>At 31 December 2007</b>	<u>185,477,159</u>	<u>6,634,854</u>	<u>6,268,000</u>	<u>11,244,114</u>	<u>209,624,127</u>	<u>(18,066)</u>	<u>209,606,061</u>

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



**STATEMENT OF CHANGES IN EQUITY (Cont'd)**  
**For the year ended 31 December 2007**

	← <i>Non-distributable</i> →			(Accumulated losses)/ Distributable	Total equity
	Share capital RM	Share premium RM	Capital reserve RM		
<b>Company</b>					
<b>At 1 January 2006</b>					
Redemption of RCSLS	185,477,159	6,634,854	6,268,000	(16,980,211)	181,399,802
Profit for the year	-	-	-	6,746,686	6,746,686
<b>At 31 December 2006</b>	<u>185,477,159</u>	<u>6,634,854</u>	<u>6,268,000</u>	<u>(10,233,525)</u>	<u>188,146,488</u>
Profit for the year	-	-	-	11,878,540	11,878,540
<b>At 31 December 2007</b>	<u><u>185,477,159</u></u>	<u><u>6,634,854</u></u>	<u><u>6,268,000</u></u>	<u><u>1,645,015</u></u>	<u><u>200,025,028</u></u>

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

## CASH FLOW STATEMENTS

For the year ended 31 December 2007

Note	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Cash flows from operating activities</b>				
Profit before tax	19,064,232	9,779,835	18,254,449	10,068,642
Adjustments for:				
Depreciation and amortisation	7,096,739	6,571,012	4,390,125	4,020,633
Finance costs	5,709,765	5,338,037	4,612,637	4,438,216
Retirement benefits	246,385	20,850	246,385	20,850
Gain on disposal of property, plant and equipment	(66,631)	(182,906)	(85,016)	-
Gain on disposal of investment in subsidiaries	-	(4,591,127)	-	(6,380,649)
Property development expenditure written off	13,125	-	-	-
Interest income	(8,353)	(120,920)	(8,353)	(120,920)
Dividend income	-	-	(11,813,628)	-
<b>Operating profit before changes in working capital</b>	<b>32,055,262</b>	<b>16,814,781</b>	<b>15,596,599</b>	<b>12,046,772</b>
Changes in working capital:				
Inventories	(151,187)	(1,468,879)	(194,482)	(958,256)
Trade and other receivables	(3,413,044)	(1,072,880)	(22,523,839)	(28,141,873)
Trade and other payables	540,683	(3,169,019)	1,481,893	1,741,473
<b>Cash generated from/(used in) operations</b>	<b>29,031,714</b>	<b>11,104,003</b>	<b>(5,639,829)</b>	<b>(15,311,884)</b>
Tax paid	(9,029,350)	(3,289,746)	(4,934,239)	(1,501,798)
<b>Net cash from/(used in) operating activities</b>	<b>20,002,364</b>	<b>7,814,257</b>	<b>(10,574,068)</b>	<b>(16,813,682)</b>

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



**CASH FLOW STATEMENTS (Cont'd)**  
**For the year ended 31 December 2007**

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>Cash flows from investing activities</b>					
<b>Acquisition of:</b>					
- property, plant and equipment	23	(6,007,968)	(6,046,546)	(3,881,704)	(3,286,393)
- biological assets	24	(5,619,668)	(9,673,896)	-	-
- subsidiaries, net of cash acquired	28	-	(9,966,344)	-	(9,975,955)
Proceeds from disposal of:					
- property, plant and equipment		131,617	393,100	150,000	-
- subsidiaries	28	-	34,527,435	-	34,527,446
Acquisition of investment properties		(1,409,059)	(106,908)	-	-
Interest received		8,353	120,920	8,353	120,920
Increase in pledged deposits placed with licensed banks		(8,353)	(6,210)	(8,353)	(6,210)
<b>Net cash (used in)/from investing activities</b>		<b>(12,905,078)</b>	<b>9,241,551</b>	<b>(3,731,704)</b>	<b>21,379,808</b>
<b>Cash flows from financing activities</b>					
Interest paid		(6,861,821)	(7,264,054)	(4,612,637)	(4,438,216)
Dividend income		-	-	8,623,948	-
Payment of finance lease liabilities		(921,183)	(707,486)	(506,221)	(508,999)
Proceeds from term loan		49,000,000	9,919,418	49,000,000	-
Repayment of loans and borrowings		(43,007,080)	(25,577,338)	(33,517,000)	(6,348,000)
<b>Net cash (used in)/from financing activities</b>		<b>(1,790,084)</b>	<b>(23,629,460)</b>	<b>18,988,090</b>	<b>(11,295,215)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,307,202</b>	<b>(6,573,652)</b>	<b>4,682,318</b>	<b>(6,729,089)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>(8,697,389)</b>	<b>(2,123,737)</b>	<b>(9,286,489)</b>	<b>(2,557,400)</b>
<b>Cash and cash equivalents at 31 December</b>		<b>(3,390,187)</b>	<b>(8,697,389)</b>	<b>(4,604,171)</b>	<b>(9,286,489)</b>

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

	2,013,784	1,720,501	799,800	1,131,401
Cash and bank balances	(5,403,971)	(10,417,890)	(5,403,971)	(10,417,890)
Bank overdraft	(3,390,187)	(8,697,389)	(4,604,171)	(9,286,489)

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 is listed on the Second Board of Bursa Malaysia Securities Berhad. The address of the registered office of the Company is as follows:

### Registered office

6th Floor, Johor Tower  
 No. 15, Jalan Gereja  
 80100 Johor Bahru  
 Johor  
 Malaysia

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries.

The principal activities of the Company consist of those relating to the cultivation of oil palm and teak trees, palm oil mill, property investment and investment holding. The principal activities of the subsidiaries are disclosed in Note 7.

The financial statements were approved by the Board of Directors on 16 April 2008.

### 1. Basis of preparation

#### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB), the provisions of the Companies Act, 1965 and accounting principles generally accepted in Malaysia.

The MASB has also issued the following FRSs and Interpretations that are effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing these financial statements:

FRSs / Interpretations	Effective date
FRS 107, Cash Flow Statements	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The Group and the Company plan to apply the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008, except for FRS 139 which its effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

### (b) Basis of measurement

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

The Group and the Company are in net current liabilities of RM41,112,341 and RM2,768,931 respectively as at 31 December 2007. The financial statements of the Group and of the Company continued to be prepared on a going concern basis since it is the intention of the Group and of the Company to continue its operations. The going concern of the Group and of the Company is dependent on the continuous financial support from the Group's bankers, suppliers and plantation contractors.

The Directors are of the view that with the current commodity prices, the Group and the Company will be able to generate sufficient fund to meet its current obligations as and when required.

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

The preparation of financial statements 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 estimate is revised and in any future periods affected.

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 8 - valuation of goodwill on consolidation
- Note 14 - recognition of unutilised tax losses and unabsorbed capital allowances

## 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, except for adoption of FRS 117, Leases as disclosed in Note 31.

Other than the reclassification of leasehold land from property, plant and equipment to prepaid lease rental, the adoption of FRS 117, Leases does not have any significant financial impact on the Group and the Company.

Certain comparative amounts have been reclassified or re-presented to conform to the current year's presentation (see Note 32).

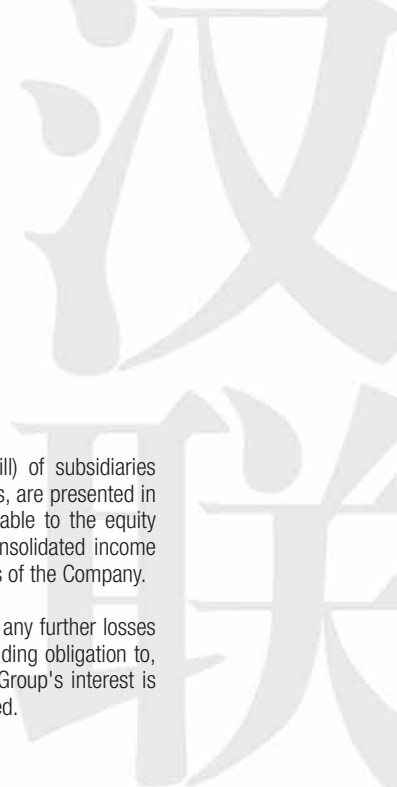
### (a) Basis of consolidation

#### (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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.



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## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### (ii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets (excluding goodwill) of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

### (iii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. 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.

### (iv) 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.

### (b) Derivative financial instruments

The Group holds derivative financial instruments to hedge its commodity price exposures.

Forward swaps contracts are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

### (c) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are stated 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 and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. 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 a willing buyer and a willing seller 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 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### (ii) Subsequent costs

The cost of replacing 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 and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

### (iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The freehold and leasehold buildings are depreciated on a straight line basis over fifty (50) years. Freehold land is not depreciated.

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

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

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

### (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 mature 3 years after the month of planting. Teak tree is considered mature 17 years after the month of planting.

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 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 property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

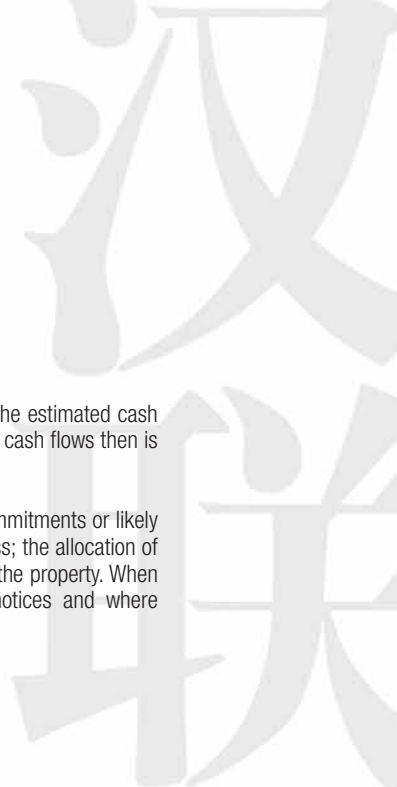
Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

Freehold land is not depreciated.

#### (ii) 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 every 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 at an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.



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## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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 then is applied to the net annual cash flows to arrive at the property valuation.

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.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 6.

### (f) Leased assets

#### (i) Finance lease

Leases in terms of which the Group 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.

#### (ii) Operating lease

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

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.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (g) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

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.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

#### (ii) Amortisation

Goodwill with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### (h) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets arising from employee benefits are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated at each reporting date.

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. 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 or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of 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 each reporting date 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. 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 the income statements in the 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 based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories 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.

### (j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

### (k) Cash and cash equivalents

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

### (l) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### (m) Affiliated company

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



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## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### (n) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

### (o) Revenue recognition

#### (i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management.

#### (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.

### (p) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

### (q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the plantation development activities incurred on land clearing and upkeep of immature palms/tree.

The capitalisation of borrowing costs as part of the cost of plantation development expenditure commences when expenditure for the plantation development activity during the unmaturing period is being incurred and borrowing costs are being incurred. Capitalisation of borrowing costs is suspended or ceases when the plantation activities necessary to prepare the qualifying asset for its intended use are suspended or upon maturity of palms/trees.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### (r) 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 provision is recognised 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.

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

#### (ii) Retirement benefits

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

### (s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise warrants.

### (t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

## 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	Total RM
<b>Cost</b>					
At 1 January 2006	230,886,854	10,173,010	8,314,077	6,929,556	256,303,497
Effect of adopting FRS 117	(149,577,044)	-	-	-	(149,577,044)
At 1 January 2006, restated	81,309,810	10,173,010	8,314,077	6,929,556	106,726,453
Additions	48,800	2,422,686	1,744,205	2,670,805	6,886,496
Disposal	(52,744)	-	-	(376,407)	(429,151)
Disposal of subsidiaries	(12,740,891)	-	-	(582,964)	(13,323,855)
At 31 December 2006/ 1 January 2007	68,564,975	12,595,696	10,058,282	8,640,990	99,859,943
Additions	713,148	981,472	950,846	5,958,002	8,603,468
Disposal	-	-	-	(401,000)	(401,000)
At 31 December 2007	<u>69,278,123</u>	<u>13,577,168</u>	<u>11,009,128</u>	<u>14,197,992</u>	<u>108,062,411</u>
<b>Depreciation</b>					
At 1 January 2006	7,669,916	1,347,511	653,953	1,678,948	11,350,328
Effect of adopting FRS 117	(7,340,275)	-	-	-	(7,340,275)
At 1 January 2006, restated	329,641	1,347,511	653,953	1,678,948	4,010,053
Depreciation charge	1,182,433	1,238,795	972,245	1,279,423	4,672,896
Disposal	-	-	-	(218,957)	(218,957)
Disposal of subsidiaries	(347,501)	-	-	(231,311)	(578,812)
At 31 December 2006/ 1 January 2007	1,164,573	2,586,306	1,626,198	2,508,103	7,885,180
Depreciation charge	1,111,618	1,360,779	1,049,099	1,655,580	5,177,076
Disposal	-	-	-	(336,014)	(336,014)
At 31 December 2007	<u>2,276,191</u>	<u>3,947,085</u>	<u>2,675,297</u>	<u>3,827,669</u>	<u>12,726,242</u>
<b>Carrying amounts</b>					
At 31 December 2007	<u>67,001,932</u>	<u>9,630,083</u>	<u>8,333,831</u>	<u>10,370,323</u>	<u>95,336,169</u>
At 31 December 2006	<u>67,400,402</u>	<u>10,009,390</u>	<u>8,432,084</u>	<u>6,132,887</u>	<u>91,974,763</u>



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 3. Property, plant and equipment

Company	Land and buildings	Plant and machinery	Motor vehicles, furniture, fittings and equipment	Total
	RM	RM	RM	RM
<b>Cost</b>				
At 1 January 2006	159,000,000	8,308,587	4,294,288	171,602,875
Effect of adopting FRS 117	(89,626,400)	-	-	(89,626,400)
At 1 January 2006, restated	69,373,600	8,308,587	4,294,288	81,976,475
Additions	22,800	1,733,980	1,529,613	3,286,393
At 31 December 2006/ 1 January 2007	69,396,400	10,042,567	5,823,901	85,262,868
Additions	82,000	943,250	4,484,454	5,509,704
Disposal	-	-	(325,000)	(325,000)
At 31 December 2007	69,478,400	10,985,817	9,983,355	90,447,572
<b>Depreciation</b>				
At 1 January 2006	5,425,506	653,771	943,848	7,023,125
Effect of adopting FRS 117	(3,010,867)	-	-	(3,010,867)
At 1 January 2006, restated	2,414,639	653,771	943,848	4,012,258
Depreciation charge	1,037,828	970,997	765,932	2,774,757
At 31 December 2006/ 1 January 2007	3,452,467	1,624,768	1,709,780	6,787,015
Depreciation charge	1,038,432	1,047,183	1,058,634	3,144,249
Disposal	-	-	(260,016)	(260,016)
At 31 December 2007	4,490,899	2,671,951	2,508,398	9,671,248
<b>Carrying amounts</b>				
At 31 December 2007	64,987,501	8,313,866	7,474,957	80,776,324
At 31 December 2006	65,943,933	8,417,799	4,114,121	78,475,853
	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Carrying amounts of land and buildings</b>				
Freehold land	20,770,000	20,770,000	20,770,000	20,770,000
Buildings	46,231,932	46,630,402	44,217,501	45,173,933
	67,001,932	67,400,402	64,987,501	65,943,933
<b>Security</b>				

Freehold land and building of the Group and of the Company with a net book value of RM62,916,350 (2006: RM63,840,950) is charged to a bank as security for term loans granted to the Company and a subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 3. Property, plant and equipment (Cont'd)

#### 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 a net book value of RM4,245,277 (2006: RM2,510,953) and RM2,669,518 (2006: RM1,369,837) respectively. The leased motor vehicles secured lease obligation as stated in Note 16.

#### Others

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

	Group	
	2007 RM	2006 RM
Income statements	3,900,035	3,513,839
Biological assets	1,277,041	1,159,057
	<u>5,177,076</u>	<u>4,672,896</u>

### 4. Prepaid lease payments

	Group	
	2007 RM	2006 RM
<b>Cost</b>		
At 1 January	149,577,044	-
Effect of adopting FRS 117	-	149,577,044
At 1 January, restated	<u>149,577,044</u>	<u>149,577,044</u>
At 31 December	<u>149,577,044</u>	<u>149,577,044</u>
<b>Amortisation</b>		
At 1 January	9,452,843	-
Effect of adopting FRS 117	-	7,340,275
At 1 January, restated	9,452,843	7,340,275
Amortisation charge	<u>2,112,570</u>	<u>2,112,568</u>
At 31 December	<u>11,565,413</u>	<u>9,452,843</u>
<b>Carrying amounts</b>		
At 31 December	<u>138,011,631</u>	<u>140,124,201</u>



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 4. Prepaid lease payments (Cont'd)

	Company	
	2007 RM	2006 RM
<b>Cost</b>		
At 1 January	89,626,400	-
Effect of adopting FRS 117	-	89,626,400
At 1 January, restated	<u>89,626,400</u>	<u>89,626,400</u>
At 31 December	<u>89,626,400</u>	<u>89,626,400</u>
<b>Amortisation</b>		
At 1 January	4,256,743	-
Effect of adopting FRS 117	-	3,010,867
At 1 January, restated	4,256,743	3,010,867
Amortisation charge	1,245,876	1,245,876
At 31 December	<u>5,502,619</u>	<u>4,256,743</u>
<b>Carrying amounts</b>		
At 31 December	<u>84,123,781</u>	<u>85,369,657</u>

#### Others

Depreciation charge for prepaid lease payments is allocated as follows:

	Group	
	2007 RM	2006 RM
Income statements	1,838,676	1,748,186
Biological assets	273,894	364,382
	<u>2,112,570</u>	<u>2,112,568</u>

The prepaid lease payments of the Group and of the Company has an unexpired lease period of more than 50 years.

The prepaid lease payments of the Group and of the Company is charged to a bank as security for term loan facilities granted to the Company and a subsidiary.

Included in the prepaid lease payments of the Group and of the Company are oil palm trees which have exceeded twenty-five (25) years and hence no value is placed on the plantation development expenditure.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 5. Biological assets

Group	Plantation development expenditure - oil palm RM	Plantation development expenditure - teak tree RM	Total RM
<b>Cost</b>			
At 1 January 2006	77,194,693	592,089	77,786,782
Additions	13,057,682	65,673	13,123,355
Disposal of subsidiaries	(15,279,407)	(68,678)	(15,348,085)
At 31 December 2006/1 January 2007	74,972,968	589,084	75,562,052
Addition	8,248,489	74,170	8,322,659
Written off	-	(13,125)	(13,125)
At 31 December 2007	<u>83,221,457</u>	<u>650,129</u>	<u>83,871,586</u>
<b>Amortisation</b>			
At 1 January 2006	2,728,817	-	2,728,817
Amortisation charge	1,308,987	-	1,308,987
Disposal of subsidiaries	(1,426,074)	-	(1,426,074)
At 31 December 2006/1 January 2007	2,611,730	-	2,611,730
Amortisation charge	1,358,028	-	1,358,028
At 31 December 2007	<u>3,969,758</u>	<u>-</u>	<u>3,969,758</u>
<b>Carrying amounts</b>			
At 31 December 2007	<u>79,251,699</u>	<u>650,129</u>	<u>79,901,828</u>
At 31 December 2006	<u>72,361,238</u>	<u>589,084</u>	<u>72,950,322</u>

### Others

Included in plantation development expenditure of the Group is the following expenses capitalised:

	2007 RM	2006 RM
Finance costs	1,152,056	1,926,020
Depreciation and amortisation (see Note 3 and 4)	1,550,935	1,523,439
Personnel expenses (including key management personnel)		
- Contributions to Employee's Provident Fund	36,945	25,506
- Wages, salaries and others	<u>346,747</u>	<u>266,078</u>

One of the subsidiaries' plantation activities are situated on Native Customary Rights Land Development Area in Sarawak. Pursuant to the Joint Venture Agreement dated 3 September 2004, the minority shareholder, Pelita Holdings Sdn. Bhd. will undertake to procure the alienation of the above land from the Sarawak Government to the Company. As at todate, the land is yet to be alienated to the subsidiary.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 6. Investment property

Group	Property development expenditure		Total RM
	Land RM	RM	
<b>Cost</b>			
At date of acquisition	10,300,000	-	10,300,000
Addition	-	106,908	106,908
At 31 December 2006/1 January 2007	10,300,000	106,908	10,406,908
Addition	-	1,409,059	1,409,059
At 31 December 2007	<u>10,300,000</u>	<u>1,515,967</u>	<u>11,815,967</u>

The investment property comprises freehold land.

#### Fair value

The fair value of the investment property as at 31 December 2007 is RM10,300,000. The fair value is determined by independent professional qualified valuer using open market value method.

### 7. Investments in subsidiaries

	Company	
	2007 RM	2006 RM
Unquoted shares, at cost	<u>87,089,097</u>	<u>87,089,097</u>

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

Name of company	Principal activities	Effective ownership interest	
		2007 %	2006 %
Uniglobal Sdn. Bhd. *	Cultivation of oil palm and teak trees	100	100
Masranti Plantation Sdn. Bhd.	Cultivation of oil palm and teak trees	99.99	99.99
Premium Dragon Sdn. Bhd.	Investment holding	100	100
Nusantara Daya Sdn. Bhd.	Investment property	100	100
Harn Len Pelita Bengunan Sdn. Bhd.	Cultivation of oil palm and teak trees	60	60
Dyna Bilion Sdn. Bhd.	Dormant	100	100
Sunshine Zodiac Sdn. Bhd.	Dormant	100	100
Zhangxern Corporation Sdn. Bhd.	Dormant	100	100
Keyrange Corporation Sdn. Bhd.	Dormant	100	100

\* The entire issued and paid-up capital of this subsidiary with a cost of RM50,000,002 has been charged to a bank as security to obtain bank overdraft and term loan facilities of the Company and a subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 8. Goodwill on consolidation

	Group	
	2007 RM	2006 RM
<b>Cost</b>		
At 1 January	8,581,870	13,832,490
Disposal of subsidiaries	-	(5,250,620)
At 31 December	<u>8,581,870</u>	<u>8,581,870</u>
<b>Amortisation</b>		
At 1 January	965,347	1,490,409
Disposal of subsidiaries	-	(525,062)
At 31 December	<u>965,347</u>	<u>965,347</u>
<b>Carrying amounts</b>	<u>7,616,523</u>	<u>7,616,523</u>

#### 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	
	2007 RM	2006 RM
Masranti Plantation Sdn. Bhd.	5,794,799	5,794,799
Uniglobal Sdn. Bhd.	1,821,724	1,821,724
	<u>7,616,523</u>	<u>7,616,523</u>

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 4.5% per annum.
- A pre-tax discount rate of 7.5% 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.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 9. Inventories

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Agricultural produce	1,412,351	1,062,502	1,412,351	1,062,502
Consumable and spares	1,184,583	1,290,809	357,899	513,266
Nursery	1,683,565	1,776,001	-	-
	<u>4,280,499</u>	<u>4,129,312</u>	<u>1,770,250</u>	<u>1,575,768</u>

### 10. Trade and other receivables

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables	6,095,072	2,622,396	3,273,690	959,147
Other receivables, deposits and prepayments	1,627,766	1,306,796	202,756	213,840
Due from subsidiaries				
- Non-trade	-	-	51,944,159	31,343,177
Due from affiliated companies				
- Non-trade	138,569	519,171	138,569	519,171
	<u>7,861,407</u>	<u>4,448,363</u>	<u>55,559,174</u>	<u>33,035,335</u>

The non-trade amounts due from subsidiaries and affiliated companies is in respect of advances made which are unsecured, interest free and have no fixed terms of repayment.

The Directors have taken action to recover the amount due from affiliated companies subsequent to year end.

### 11. Cash and cash equivalents

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	2,013,784	1,720,501	799,800	1,131,401
Deposits placed with licensed banks	240,391	232,038	240,391	232,038
	<u>2,254,175</u>	<u>1,952,539</u>	<u>1,040,191</u>	<u>1,363,439</u>

The deposits of the Group and of the Company of RM240,391 (2006: RM232,038) are pledged to licensed banks as security for bank guarantee facilities granted to the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 12. Share capital and reserves

#### Share capital

	Group/Company		Group/Company	
	2007	2006	Number of ordinary shares	2006
	RM	RM	RM	RM
Ordinary shares of RM1.00 each:				
Authorised	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>

#### Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank the payment of dividends out of its entire retained earnings at 31 December 2007.

The Finance Act 2007 introduced the single tier company income tax system with effect from year of assessment 2008. Transitional provisions allow companies to stay on the existing imputation system up to 31 December 2013 should they have and continue to maintain positive Section 108 credit balances. The Company has decided to remain on the imputation system.

#### Warrants

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

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

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

#### Reserves

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
<b>Distributable</b>				
Retained earnings/ (Accumulated losses)	11,244,114	(1,336,791)	1,645,015	(10,233,525)
<b>Non-distributable</b>				
Share premium	6,634,854	6,634,854	6,634,854	6,634,854
Capital reserves	<u>6,268,000</u>	<u>6,268,000</u>	<u>6,268,000</u>	<u>6,268,000</u>
	<u>24,146,968</u>	<u>11,566,063</u>	<u>14,547,869</u>	<u>2,669,329</u>



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 13. Minority shareholders' interest

#### Group

The losses applicable to the minority in a subsidiary exceeded the minority 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 subsidiary to progressively increase the paid-up capital to RM24,000,000 and the minority shareholders will subscribe for the 40% of the increased paid-up capital i.e. RM9,600,000 in accordance with the joint venture agreement dated 3 September 2004 (see Note 5).

### 14. Deferred tax liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Property, plant and equipment				
- capital allowances	2,513,288	2,640,000	786,000	773,000
- fair value adjustment	8,618,875	9,081,502	-	-
Unabsorbed capital allowances	(614,000)	(521,456)	(614,000)	(522,000)
Provision	(135,368)	(68,536)	(135,368)	(68,536)
	<u>10,382,795</u>	<u>11,131,510</u>	<u>36,632</u>	<u>182,464</u>

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

Group	At 1 January 2007 RM	Charged/ (Credited) to income statements RM	At 31 December 2007 RM
	<b>Deferred tax liabilities</b>		
Property, plant and equipment	<u>11,721,502</u>	<u>(589,339)</u>	<u>11,132,163</u>
<b>Deferred tax assets</b>			
Unabsorbed capital allowances	(521,456)	(92,544)	(614,000)
Provision	(68,536)	(66,832)	(135,368)
Total	<u>(589,992)</u>	<u>(159,376)</u>	<u>(749,368)</u>
<b>Company</b>			
<b>Deferred tax liabilities</b>			
Property, plant and equipment	<u>773,000</u>	<u>13,000</u>	<u>786,000</u>
<b>Deferred tax assets</b>			
Unabsorbed capital allowance	(522,000)	(92,000)	(614,000)
Provision	(68,536)	(66,832)	(135,368)
Total	<u>(590,536)</u>	<u>(158,832)</u>	<u>(749,368)</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 14. Deferred tax liabilities (continued)

Group	At 1 January 2006 RM	Disposal of subsidiaries (Note 28) RM	Charged/ (Credited) to income statements RM	Acquired in business combination (Note 28) RM	At 31 December 2006 RM
<b>Deferred tax liabilities</b>					
Property, plant and equipment	19,103,823	(6,710,264)	(978,460)	306,403	11,721,502
<b>Deferred tax assets</b>					
Unabsorbed capital allowances	(478,740)	-	(42,716)	-	(521,456)
Provision	(76,481)	-	7,945	-	(68,536)
Total	(555,221)	-	(34,771)	-	(589,992)
<b>Company</b>					
<b>Deferred tax liabilities</b>					
Property, plant and equipment	995,641	-	(222,641)	-	773,000
<b>Deferred tax assets</b>					
Unabsorbed capital allowance	(462,002)	-	(59,998)	-	(522,000)
Provision	(76,481)	-	7,945	-	(68,536)
Total	(538,483)	-	(52,053)	-	(590,536)

### Unrecognised deferred tax assets

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

	Group	
	2007 RM'000	2006 RM'000
Property, plant and equipment		
- capital allowances	45,737	41,588
Unutilised tax losses	(21,756)	(44,090)
Unabsorbed capital allowances	(50,168)	(19,350)
	(26,187)	(21,852)

The unutilised tax losses unabsorbed and capital allowances and 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 Group can utilise the benefits there from.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 15. Retirement benefits

As at 31 December 2007, the hotel retirement benefit accruing to the hotel employees is RM1,036,202 (2006: RM1,090,272). The Company has entered into an arrangement with Tropical Inn Sdn. Bhd. ("TISB"), the previous hotel owner that any retirement benefit accruing to the hotel employees from the date of employment until 31 July 2003 will be borne by TISB. Thus, the portion prior to 31 July 2003 amounting to RM597,837 (2006: RM898,272) was not recognised in the financial statements.

### 16. Loans and borrowings (secured)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Non-current</b>				
Finance lease liabilities	2,415,536	1,354,523	1,543,226	748,802
Term loans	68,727,000	77,530,405	47,177,000	46,299,000
	<u>71,142,536</u>	<u>78,884,928</u>	<u>48,720,226</u>	<u>47,047,802</u>
<b>Current</b>				
Finance lease liabilities	1,362,424	749,120	771,365	444,010
Term loans	19,628,000	4,831,675	17,628,000	3,023,000
Bank overdraft	5,403,971	10,417,890	5,403,971	10,417,890
	<u>26,394,395</u>	<u>15,998,685</u>	<u>23,803,336</u>	<u>13,884,900</u>
	<u>97,536,931</u>	<u>94,883,613</u>	<u>72,523,562</u>	<u>60,932,702</u>

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	2007			2006		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
<b>Group</b>						
Less than one year	1,531,746	169,322	1,362,424	854,709	105,589	749,120
Between one and five years	<u>2,698,580</u>	<u>283,044</u>	<u>2,415,536</u>	<u>1,550,488</u>	<u>195,965</u>	<u>1,354,523</u>
	<u>4,230,326</u>	<u>452,366</u>	<u>3,777,960</u>	<u>2,405,197</u>	<u>301,554</u>	<u>2,103,643</u>
<b>Company</b>						
Less than one year	865,239	93,874	771,365	506,715	62,705	444,010
Between one and five years	<u>1,713,424</u>	<u>170,198</u>	<u>1,543,226</u>	<u>852,316</u>	<u>103,514</u>	<u>748,802</u>
	<u>2,578,663</u>	<u>264,072</u>	<u>2,314,591</u>	<u>1,359,031</u>	<u>166,219</u>	<u>1,192,812</u>

#### Security

The term loans are secured by fixed charges over the freehold land and building of the Company, prepaid lease payments and buildings of the Company and certain subsidiaries, the entire issued and paid-up capital of a subsidiary and negative pledge over all the present and future assets of a subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### Significant covenants

- a. The Group, Company and subsidiaries are required to maintain various ratios during the tenure of credit facilities.
- gearing ratio (ranging lower than 0.5 to 2.0); and
  - interest cover ratio (lower than 2.0)
- b. The Group net tangible worth shall not be less than RM120,000,000.
- c. The Company shall not without bank 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.
- d. 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.

#### Terms and debt repayment schedule

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
<b>Group</b>						
<b>2007</b>						
Bank overdraft		5,404	5,404	-	-	-
Finance lease liabilities	2008 - 2012	3,778	1,362	1,150	1,266	-
Secured term loans	2008 - 2014	88,355	19,628	11,628	40,884	16,215
		<u>97,537</u>	<u>26,394</u>	<u>12,778</u>	<u>42,150</u>	<u>16,215</u>
<b>2006</b>						
Bank overdraft		10,418	10,418	-	-	-
Finance lease liabilities	2007 - 2011	2,104	749	655	700	-
Secured term loans	2013 - 2015	82,362	4,832	6,808	39,390	31,332
		<u>94,884</u>	<u>15,999</u>	<u>7,463</u>	<u>40,090</u>	<u>31,332</u>
<b>Company</b>						
<b>2007</b>						
Bank overdraft		5,404	5,404	-	-	-
Finance lease liabilities	2008 - 2013	2,315	771	622	922	-
Secured term loans	2008 - 2014	64,805	17,628	8,628	28,884	9,665
		<u>72,524</u>	<u>23,803</u>	<u>9,250</u>	<u>29,806</u>	<u>9,665</u>
<b>2006</b>						
Bank overdraft		10,418	10,418	-	-	-
Finance lease liabilities	2007 - 2010	1,193	444	386	363	-
Secured term loans	2013 - 2015	49,322	3,023	3,788	24,850	17,661
		<u>60,933</u>	<u>13,885</u>	<u>4,174</u>	<u>25,213</u>	<u>17,661</u>



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 17. Trade and other payables

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	7,448,197	7,474,186	4,494,982	4,622,949
Other payables and accrued expenses	20,516,637	20,113,597	8,859,017	8,518,179
Due to subsidiaries				
- Non-trade	-	-	23,953,962	22,650,294
Due to affiliated companies				
- Trade	425,688	394,025	425,688	394,025
- Non-trade	202,278	4,000	-	-
	627,966	398,025	425,688	394,025
Due to a Director	-	66,309	-	66,309
	<u>28,592,800</u>	<u>28,052,117</u>	<u>37,733,649</u>	<u>36,251,756</u>

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

Included in other payables and accrued expenses of the Group is an amount of RM9,119,612 (2006: RM10,014,228) owing to a contractor for plantation development in certain subsidiaries.

### 18. Revenue/Gross profit

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Revenue</b>				
- Plantations	93,549,208	64,126,198	64,548,210	47,673,198
- Property and hotel	7,517,712	6,776,375	7,517,712	6,774,965
- Dividend income from a subsidiary	-	-	11,813,628	-
	<u>101,066,920</u>	<u>70,902,573</u>	<u>83,879,550</u>	<u>54,448,163</u>
Cost of sales of agricultural produces	48,327,118	35,683,521	37,365,061	26,100,468
Cost of services	8,206,537	7,618,096	8,206,537	7,618,096
	<u>56,533,655</u>	<u>43,301,617</u>	<u>45,571,598</u>	<u>33,718,564</u>
<b>Gross profit</b>	<u>44,533,265</u>	<u>27,600,956</u>	<u>38,307,952</u>	<u>20,729,599</u>

### 19. Finance costs

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Term loan interest	5,794,150	6,403,264	3,623,061	3,640,424
Others	1,067,671	860,793	989,576	797,792
	6,861,821	7,264,057	4,612,637	4,438,216
Less: Finance cost capitalised	(1,152,056)	(1,926,020)	-	-
	<u>5,709,765</u>	<u>5,338,037</u>	<u>4,612,637</u>	<u>4,438,216</u>



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## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 20. Profit before tax

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Audit fees				
- Current year	118,000	122,000	58,000	50,000
- (Over)/Under provided in prior year	(15,000)	11,000	5,000	-
Bad debts written off	35,120	14,251	35,120	14,251
Depreciation and amortisation	7,096,739	6,571,012	4,390,125	4,020,633
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	1,000,983	925,163	882,177	772,999
- Wages, salaries and others	12,210,111	11,069,419	10,436,050	8,783,677
Rental of premises	18,600	19,800	12,000	12,000
Retirement benefits	246,385	20,850	246,385	20,850
Allowance/(Reversal) of doubtful debts	13,352	(38,699)	13,352	(38,699)
Gain on disposal of:				
- Property, plant and equipment	(66,631)	(182,906)	(85,016)	-
- Investment in subsidiaries	-	(4,591,127)	-	(6,380,649)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

Staff costs and Employees' Provident Fund are allocated as follows:

	Group	
	2007 RM	2006 RM
Wages, salaries and others (including Directors' remuneration)		
- income statements	12,210,111	11,069,419
- plantation development expenditure	346,745	266,078
	<u>12,556,856</u>	<u>11,335,497</u>
Employees' Provident Fund		
- income statements	1,000,983	925,163
- plantation development expenditure	36,945	25,506
	<u>1,037,928</u>	<u>950,669</u>



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 20. Profit before tax (continued)

#### Key management personnel compensation

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 includes all the Directors of the Group, and certain members of senior management of the Group.

Key management personnel compensation are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors				
- Fees	135,000	135,000	135,000	135,000
- Remuneration	4,012,792	3,668,080	3,164,104	2,458,160
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	172,265	136,360	172,265	136,360
Total short-term employee benefits	4,320,057	3,939,440	3,471,369	2,729,520
Other key management personnel:				
- Remuneration	1,223,668	1,034,426	1,223,668	1,034,426
	<u>5,543,725</u>	<u>4,973,866</u>	<u>4,695,037</u>	<u>3,763,946</u>

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

### 21. Tax expense

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Tax expense				
- Current year	7,160,320	5,044,288	6,500,000	3,300,000
- Under provided in prior year	23,001	288,981	21,741	296,650
	<u>7,183,321</u>	<u>5,333,269</u>	<u>6,521,741</u>	<u>3,596,650</u>
Deferred tax income				
- Origination and reversal of temporary differences	(727,120)	(725,012)	(125,832)	(22,760)
- Over provided in prior year	(21,595)	(288,219)	(20,000)	(251,934)
	<u>(748,715)</u>	<u>(1,013,231)</u>	<u>(145,832)</u>	<u>(274,694)</u>
	<u>6,434,606</u>	<u>4,320,038</u>	<u>6,375,909</u>	<u>3,321,956</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 21. Tax expense (continued)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Reconciliation of effective tax expense</b>				
Profit before tax	19,064	9,780	18,254	10,069
Tax at Malaysian tax rate	5,147	2,738	4,929	2,819
Non deductible expenses	1,970	3,560	1,602	2,543
Non taxable income	-	(1,286)	-	(1,786)
Unrecognised deferred tax	(244)	-	-	-
Utilisation of reinvestment allowance	(153)	(292)	(153)	(292)
Effect of changes in tax rate*	(286)	(401)	(4)	(7)
	6,434	4,319	6,374	3,277
Under provided in prior year	1	1	2	45
Tax expense	6,435	4,320	6,376	3,322

\* The corporate tax rate are at 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

### 22. Earning per ordinary share

#### Group

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

The calculation of basic earnings per ordinary share at 31 December 2007 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2007 RM	2006 RM
Profit for the year attributable to shareholders	12,580,905	5,489,135
Weighted average number of ordinary shares are determined as follows:		
	2007	2006
Weighted average number of ordinary shares at 31 December	185,477,159	185,477,159
Basic earnings per ordinary share (sen)	6.8	3.0

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

No disclosure is made for diluted earning per ordinary share for the year as it is anti-dilutive.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current year's acquisition of plant and equipment	8,603,468	6,886,496	5,509,704	3,286,393
Less: Acquisition by lease financing	(2,595,500)	(839,950)	(1,628,000)	-
	<u>6,007,968</u>	<u>6,046,546</u>	<u>3,881,704</u>	<u>3,286,393</u>

### 24. Acquisition of biological assets

	Group	
	2007 RM	2006 RM
Current year's acquisition of biological assets	8,322,659	13,123,355
Less:		
- Expenses capitalised:		
- Depreciation and amortisation	(1,550,935)	(1,523,439)
- Finance cost	(1,152,056)	(1,926,020)
	<u>5,619,668</u>	<u>9,673,896</u>

### 25. Segment reporting

#### Group

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

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

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

#### Business segments

The Group comprises the following main business segments:

Plantation	The cultivation of oil palm and palm oil milling
Property and hotel	Property investment and hotel business

#### Geographical segments

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



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## 25. Segment reporting (continued)

### NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Group	Plantations		Property and hotel		Consolidated	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
<b>Business segments</b>						
Revenue from external customers	93,549,208	64,126,198	7,517,712	6,776,375	101,066,920	70,902,573
<b>Segment result/Operating profit/(loss)</b>						
Unallocated expenses	36,242,423	20,331,968	(1,485,434)	(1,214,413)	34,756,989	19,117,555
Finance costs					(9,991,345)	(4,120,603)
Interest income					(5,709,765)	(5,338,037)
Profit before tax					8,353	120,920
Tax expense					19,064,232	9,779,835
Profit after tax					(6,434,606)	(4,320,038)
Minority interest					(12,629,626)	5,459,797
					(48,721)	29,338
<b>Profit for the year</b>					12,580,905	5,489,135
<b>Segment assets/Total assets</b>						
Unallocated assets	263,421,658	252,487,459	80,305,981	77,554,094	343,727,639	330,041,553
					3,750,826	3,561,378
					347,478,465	333,602,931
<b>Segment liabilities/Total liabilities</b>						
Unallocated liabilities	54,314,394	94,731,948	3,284,085	1,487,380	57,598,479	96,219,328
Capital expenditure					80,273,925	40,407,168
Depreciation and amortisation	10,047,338	15,099,971	5,584,857	1,460,421	15,632,195	16,560,392
Non-cash expenses other than depreciation and amortisation	5,756,479	5,457,915	1,340,260	1,113,097	7,096,739	6,571,012
	13,125	-	246,385	20,850	259,510	20,850



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. Commitments

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Capital commitment</b>				
<b>Property, plant and equipment</b>				
Contracted but not provided for	217,000	600,700	-	552,700
Not contracted and not provided for	-	540,000	-	-
<b>Other commitment</b>				
Investments				
Contracted but not provided for	14,400,000	14,400,000	-	-
	<u>14,617,000</u>	<u>15,540,700</u>	<u>-</u>	<u>552,700</u>

The estimated amount of plantation development expenditure not contracted and not provided for in the financial statement of the Group amounted to RM6,483,112 (2006: RM29,446,000).

### 27. Contingent liabilities (secured)

	Group	
	2007 RM'000	2006 RM'000
Corporate guarantees given to financial institution in respect of outstanding banking facilities of subsidiaries	<u>24,971</u>	<u>34,470</u>

### 28. Changes in composition of the Group

#### (a) Acquisition of subsidiary

On 28 November 2006, the Group acquired the entire issued and paid-up capital of Nusantara Daya Sdn. Bhd. for a total cash consideration of RM9,975,955. The principal activities of the Company consist of investment property. The loss incurred by the subsidiary from 28 November 2006 to 31 December 2006 was RM30,635. If the acquisition had occurred on 1 January 2006, management estimates that consolidated loss for the year would have been RM34,537, excluding the fair value adjustment of RM7,598,639 and reversal of deferred tax due to change in tax rate of RM1,409,453.

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

	Recognised value on acquisition RM
Investment property	10,300,000
Cash and cash equivalents	9,611
Payables	(12,728)
Due to holding company	(11,887)
Taxation	(2,638)
Deferred tax liabilities	(306,403)
Net identifiable assets and liabilities/cash consideration paid	<u>9,975,955</u>
Cash acquired	(9,611)
Net cash outflow	<u>9,966,344</u>

The values of assets and liabilities recognised on acquisition are based on their estimated fair values.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 28. Changes in composition of the Group (continued)

#### (b) Disposal of subsidiaries

On 29 July 2006, the Company disposed of its investment in three subsidiaries, namely Suen Tai (Sabah) Sdn. Bhd. ("STSB"), Desamawar Runding Sdn. Bhd. ("DRSB") and Pelita Pertama Sdn. Bhd. ("PPSB"). The effects of the disposal of three subsidiaries are:

	Disposals of STSB, DRSB and PPSB RM
Property, plant and equipment	26,667,054
Intangibles	4,725,558
Current assets	5,660,456
Current liabilities	(406,485)
Deferred taxation	(6,710,264)
Net assets disposed	<u>29,936,319</u>
Gain from disposal of subsidiaries	4,591,127
Net disposal price settled by cash	<u>34,527,446</u>
Less: Cash of disposed subsidiaries	(11)
Net cash flow from disposal of subsidiaries	<u><u>34,527,435</u></u>

The total disposal price was RM36,725,172. The net disposal price of RM34,527,446 was arrived at after deducting Real Property Gains Tax of RM1,836,260 and liabilities of disposed subsidiaries of RM361,466.

The disposal of STSB, DRSB and PPSB resulted in a consolidated gain of RM4,591,127 for the year ended 31 December 2006.

The three subsidiaries incurred a total loss after tax of RM108,320 up to the date of disposal on 29 July 2006.

### 29. Financial instruments

#### Financial risk management objectives and policies

Exposure to credit, currency, interest and liquidity risk arises in the normal course of the Group's and the Company's business. Derivative financial instruments are used to manage the fluctuations in crude palm oil prices. The Group's and the Company's policies for managing the risks are summarised below:

#### Credit risk

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

#### Foreign currency risk

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

#### Interest rate risk

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



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 29. Financial instruments (continued)

#### Effective interest rate and repricing analysis

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

Group	Average effective interest rate %	Total RM'000	Within 1 year RM'000	Average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice					More than 5 years RM'000
				1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	5 years RM'000	
<b>2007</b>									
<b>Fixed rate instruments</b>									
Fixed deposits with licensed banks	3.70	240	240	-	-	-	-	-	-
Secured									
Term loans	6.05	(46,655)	(15,628)	(5,628)	(5,628)	(5,628)	(5,628)	(8,515)	
Finance lease liabilities	3.25	(3,778)	(1,362)	(1,150)	(768)	(262)	(236)	-	
		(50,193)	(16,750)	(6,778)	(6,396)	(5,890)	(5,864)	(8,515)	
<b>Floating rate instruments</b>									
Secured									
Term loans	7.25	(41,700)	(41,700)	-	-	-	-	-	
Bank overdrafts	7.82	(5,404)	(5,404)	-	-	-	-	-	
		(47,104)	(47,104)	-	-	-	-	-	
<b>2006</b>									
<b>Fixed rate instruments</b>									
Fixed deposits with licensed banks	3.00	232	232	-	-	-	-	-	
Secured									
Term loans	6.45	(17,011)	(687)	(894)	(1,885)	(2,520)	(2,520)	(8,505)	
Finance lease liabilities	4.23	(2,104)	(749)	(655)	(441)	(220)	(39)	-	
		(18,883)	(1,204)	(1,549)	(2,326)	(2,740)	(2,559)	(8,505)	
<b>Floating rate instruments</b>									
Secured									
Term loans	6.23	(65,351)	(65,351)	-	-	-	-	-	
Bank overdrafts	7.82	(10,418)	(10,418)	-	-	-	-	-	
		(75,769)	(75,769)	-	-	-	-	-	

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 29. Financial instruments (continued)

#### Effective interest rate and repricing analysis (continued)

Company 2007	Average effective interest rate %	Total RM'000	Within 1 year RM'000	Term					More than 5 years RM'000
				1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	5 years RM'000	
<b>Fixed rate instruments</b>									
Fixed deposits with licensed banks									
Secured	3.70	240	240	-	-	-	-	-	-
Term loans	6.06	(46,655)	(15,628)	(5,628)	(5,628)	(5,628)	(5,628)	(8,515)	
Finance lease liabilities	2.85	(2,315)	(771)	(622)	(450)	(236)	(236)	-	
		(48,730)	(16,159)	(6,250)	(6,078)	(5,864)	(5,864)	(8,515)	
<b>Floating rate instruments</b>									
Secured									
Term loans	7.25	(18,150)	(18,150)	-	-	-	-	-	-
Bank overdrafts	7.03	(5,404)	(5,404)	-	-	-	-	-	-
		(23,554)	(23,554)	-	-	-	-	-	-
<b>2006</b>									
<b>Fixed rate instruments</b>									
Fixed deposits with licensed banks									
Secured	3.00	232	232	-	-	-	-	-	-
Term loans	6.45	(17,011)	(687)	(894)	(1,885)	(2,520)	(2,520)	(8,505)	
Finance lease liabilities	2.60 - 4.25	(1,193)	(444)	(386)	(236)	(127)	-	-	
		(17,972)	(899)	(1,280)	(2,121)	(2,647)	(2,520)	(8,505)	
<b>Floating rate instruments</b>									
Secured									
Term loans	6.94	(32,311)	(32,311)	-	-	-	-	-	-
Bank overdrafts	8.125	(10,418)	(10,418)	-	-	-	-	-	-
		(42,729)	(42,729)	-	-	-	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 29. Financial instruments (continued)

#### Liquidity risk

The Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows. (see Note 1(b)).

#### Fair values

##### Recognised financial instruments

The carrying amounts of financial assets and liabilities approximate their fair values due to the relatively short term nature of these financial instruments.

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

Group	2007		2006	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial liabilities</b>				
Retirement benefits	438,385	438,385	192,000	192,000
Fixed rate term loan	46,655,000	45,083,240	17,011,000	16,173,478
Finance lease liabilities	3,777,960	3,777,960	2,103,643	2,237,685
Crude palm oil swap				
- Liabilities	-	17,280,373	-	-
	<u>50,871,345</u>	<u>66,579,958</u>	<u>19,306,643</u>	<u>18,603,163</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Retirement benefits	438,385	438,385	192,000	192,000
Fixed rate term loan	46,655,000	45,083,240	17,011,000	16,173,478
Finance lease liabilities	2,314,591	2,314,591	1,192,813	1,268,007
Crude palm oil swap				
- Liabilities	-	17,280,373	-	-
	<u>49,407,976</u>	<u>65,116,589</u>	<u>18,395,813</u>	<u>17,633,485</u>

During the year, the Company has entered into four crude palm oil swap contracts of 500 tonnes each per month with a bank. The execution for three of the contracts commences in January 2008 and expires in December 2008. The remaining contract commences in January 2009 and expires on December 2009.

The average strike price for these contracts is RM2,295 per metric ton and the nominal value of the crude palm oil swap contracts amounted to RM55,080,000 (2006: NIL).

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 29. Financial instruments (continued)

#### Estimation of fair values

The fair values financial instruments listed above, have been determined by discounting the relevant cash flows using current effective interest rates for similar instruments at the balance sheet date.

The fair value of the palm oil swap is determined based on the marked to market price at the balance sheet date.

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.

### 30. 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.

The significant related party transactions of the Company are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Affiliated companies</b>				
- Rental of premises	12,000	12,000	12,000	12,000
- Management fees receivable	36,000	36,000	36,000	36,000
- Acquisition of subsidiary	-	9,975,955	-	9,975,955
- Sales	382,056	308,872	382,056	308,872
- Rental receivable	28,753	17,364	28,753	17,364
- Purchase of air tickets	196,400	113,023	196,400	113,023
- Transport charges payable	1,347,905	1,368,107	1,347,905	1,365,107
- Purchases	25,118,425	15,415,983	25,118,425	15,415,983
- Transport charges receivable	481,180	489,610	481,180	489,610
<b>Remuneration paid to staff who are close family member of certain Directors, Tan Sri Dato' Low Nam Hui, Mr. Low Quek Kiong, Mr. Low Kueck Shin, Mr. Low Kwek Lee and Mr. Low Kuek Kong</b>	<b>710,599</b>	<b>499,699</b>	<b>710,599</b>	<b>578,323</b>



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 31. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2007.

The effect of the adoption of FRS 117, Leases is summarised as follows:

#### FRS 117, Leases

In prior year, the Group has classified lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On adoption of FRS 117, Leases, the Group treats such a lease an operating lease, with unamortised carrying amount classified as prepaid lease payments in accordance with transitional provisions in FRS 117.67A.

### 32. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 31 and to conform with the presentation requirements of FRS 101.

	Group		Company	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
<b>Balance sheets</b>				
Property, plant and equipment	91,974,763	232,098,964	78,475,853	163,845,510
Prepaid lease payments	140,124,201	-	85,369,657	-

## 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	62,916	30	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	41,321	N/A	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	42,802	N/A	18.07.2003
					895 784	31 30	
					392	30	
<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	30,404	N/A	18.07.2003
					764	10	
<b>3. Masranti Plantation Sdn Bhd</b>							
Lot No 35, TRN.: 708-LCPLS-024-000-00035 Punda-Sabal Land District of Samarahan Division Sarawak  Estate Buildings	Leasehold	4,474 ha	2061	Oil palm Plantation	23,484	N/A	15.01.2004
					669	3	
<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	11,816	N/A	28.11.2006
<b>5. Harn Len Pelita Bangunan</b>							
Estate Buildings					582	1	
					<u>216,829</u>		

N/A - Not Applicable



## ANALYSIS OF SHAREHOLDINGS

As At 5 MAY 2008

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 : 4,127  
 VOTING RIGHTS : One vote per ordinary share

### A) LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Directors	Direct		Deemed interest in shares	
		No of shares	%	No of shares	%
1.	Tan Sri Dato' Low Nam Hui	-	-	61,703,696 <sup>*1</sup>	33.27
2.	Puan Sri Datin Chan Pui Leorn	-	-	119,562,045 <sup>*2</sup>	64.46
3.	Dato Liew Kuek Hin	-	-	114,507,245 <sup>*3</sup>	61.75
4.	Low Quek Kiong	20,000	0.01	114,507,245 <sup>*4</sup>	61.74
5.	Low Kueck Shin	-	-	114,527,245 <sup>*5</sup>	61.75
6.	Low Kwek Lee	-	-	114,527,245 <sup>*5</sup>	61.75
7.	Low Kuek Kong	-	-	114,527,245 <sup>*5</sup>	61.75
8.	Low Kuit Son	-	-	114,527,245 <sup>*5</sup>	61.75
9.	Low Kok Yaow	-	-	114,527,245 <sup>*5</sup>	61.75
10.	Low Kok Yong	110,000	0.06	114,417,245 <sup>*6</sup>	61.69
11.	LNH (C&E) Sdn Bhd	-	-	57,858,349 <sup>*7</sup>	31.19
12.	Low Nam Hui & Sons Sdn Bhd	807,022	0.44	57,051,327 <sup>*8</sup>	30.76
13.	Lian Hup Manufacturing Company Sdn Berhad	26,353,830	14.21	-	-
14.	Syarikat Senang Oil Palm Estate Sdn Bhd	30,513,830	16.45	-	-
15.	LNH Enterprise Sdn Bhd	47,808,896	25.78	8,730,000 <sup>*9</sup>	4.71

#### Note:-

- \*1 By virtue of his interests in LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his children, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.
- \*2 By virtue of her interests in LNH Enterprise Sdn Bhd, Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by her children, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.
- \*3 By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and 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 Act. 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 By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his sibling, Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.
- \*5 By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and 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.
- \*6 By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his sibling, Low Quek Kiong pursuant to Section 6A of the Companies Act, 1965.
- \*7 By virtue of its interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad and Low Nam Hui & Sons Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- \*8 By virtue of its interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd and Perdana Properties Berhad pursuant to Section 6A of the Companies Act, 1965.
- \*9 By virtue of its interests in Seri Cemerlang Plantation (Pahang) Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

## ANALYSIS OF SHAREHOLDINGS (Cont'd)

As At 5 MAY 2008

### 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	-	-	61,703,696 <sup>*1</sup>	33.27
2.	Low Quek Kiong	20,000	0.01	114,507,245 <sup>*2</sup>	61.74
3.	Low Kueck Shin	-	-	114,527,245 <sup>*3</sup>	61.75
4.	Low Kwek Lee	-	-	114,527,245 <sup>*3</sup>	61.75
5.	Low Kuek Kong	-	-	114,527,245 <sup>*3</sup>	61.75
6.	Loh Wann Yuan	1	0	-	-
7.	Lee Chon Sing	50,001	0.03	-	-
8.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
9.	Law Piang Woon	-	-	-	-

**Note:-**

- \*1 By virtue of his interests in LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his children, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Companies Act, 1965
- \*2 By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held of his sibling, Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.
- \*3 By virtue of his interests in Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held of his siblings, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.

### C) DISTRIBUTION OF SHAREHOLDINGS

No. of Holders	Holdings	Total Holdings	Percentage (%)
42	Less than 100	1,261	0.0007
1,281	100 to 1,000	404,669	0.2181
1,989	1,001 to 10,000	10,173,207	5.4849
724	10,001 to 100,000	23,346,069	12.5871
88	100,001 to less than 5% of issued shares	46,875,397	25.2728
3	5% and above of issued shares	104,676,556	56.4364
<b>Total:</b>	<b>4,127</b>	<b>185,477,159</b>	<b>100.0000</b>

**ANALYSIS OF SHAREHOLDINGS (Cont'd)**

As At 5 MAY 2008

**D) TOP 30 LARGEST SHAREHOLDERS**

No.	Name	No. Of Shares Held	Percentage (%)
1.	LNH ENTERPRISE SDN BHD	47,808,896	25.7762
2.	SYARIKAT SENANG OIL PALM ESTATE SDN. BHD.	30,513,830	16.4515
3.	LIAN HUP MANUFACTURING COMPANY SDN. BERHAD	26,353,830	14.2087
4.	ABB NOMINEE (TEMPATAN) SDN BHD Pledged securities account for Sportma Corporation Berhad	8,026,863	4.3277
5.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	7,260,000	3.9142
6.	YONG YAOW PROPERTIES SDN BHD	5,034,800	2.7145
7.	TEOH GUAN KOK & CO. SDN. BERHAD	1,625,800	0.8765
8.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	1,470,000	0.7926
9.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Yap Qwee Beng	1,299,800	0.7008
10.	TOH EAN HAI	1,105,000	0.5958
11.	LOH LAI KIM	1,035,700	0.5584
12.	TA NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Chor Sek Choon	1,000,000	0.5391
13.	HLG NOMINEE (TEMPATAN) SDN BHD Hong Leong Bank Bhd for Teoh Liang Huat @ Teoh Lean Huat	954,800	0.5148
14.	HU THAI HUA @ ANDREW POH @ FOU TAI HUA	950,000	0.5122
15.	YEO LAI HUAT	880,000	0.4745
16.	LOW NAM HUI & SONS SDN BHD	807,022	0.4351
17.	LEE SAN MIN @ LEE LAY ENG	660,000	0.3558
18.	KENANGA NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Tee Kim Tee @ Tee Ching Tee	555,000	0.2992
19.	BDO CAPITAL CONSULTANTS SDN BHD Exempt An	531,193	0.2864
20.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ng Peng Hon	515,100	0.2777
21.	CHIN HON PUN	465,200	0.2508
22.	TOH LAY FAN	400,000	0.2159
23.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Koay Ean Chim	350,000	0.1887
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ng Ching Soong	328,100	0.1769
25.	OOI CHENG EE @ NGO BA	320,000	0.1725
26.	KOH KIN TONG	315,000	0.1698
27.	WONG TON YANG	300,700	0.1621
28.	HLG NOMINEE (TEMPATAN) SDN BHD Pledged securities account for Teh Ah Huat	300,000	0.1617
29.	YEO TIOW TIONG HOLDINGS SENDIRIAN BERHAD	300,000	0.1617
30.	MAYBAN SECURITIES NOMINEES (ASING) SDN BHD OCBC securities Nominees (Asing) Sdn Bhd	300,000	0.1617

## ANALYSIS OF WARRANTHOLDINGS

As At 5 MAY 2008

VOTING RIGHTS : One (1) Vote Per Warrant (In the meeting of Warrantholders)  
 NUMBER OF WARRANTS ISSUED : 74,310,095  
 NUMBER OF HOLDERS : 1,378

### A) Distribution of Warrantholdings

No. of Holders	Holdings	Total Holdings	Percentage (%)
32	Less than 100	1,584	0.0021
58	100 to 1,000	33,090	0.0445
598	1,001 to 10,000	3,620,197	4.8717
545	10,001 to 100,000	22,422,163	30.1738
144	100,001 to less than 5% of issued warrants	43,757,229	58.8847
1	5% and above of issued warrants	4,475,832	6.0232
<b>Total:</b>		<b>74,310,095</b>	<b>100.0000</b>

### B) List of 30 Largest Warrantholders

No.	Name	No. of Warrants Held	Percentage (%)
1.	ABB NOMINEE (TEMPATAN) SDN BHD - Pledged securities account for Sportma Corporation Berhad	4,475,832	6.0232
2.	HDM NOMINEES (TEMPATAN) SDN BHD - Pledged securities account for Lim Gim Leong	1,840,000	2.4761
3.	NG CHEE SIM	1,610,000	2.1666
4.	TANG KEE HIONG	1,293,200	1.7403
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ee Chow Huat	1,223,200	1.6461
6.	TANG KEE WONG	1,111,800	1.4962
7.	TANG KEE WONG	1,000,600	1.3465
8.	KONG CHOON BEE	980,000	1.3180
9.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Koh Pi Zyn	930,000	1.2515
10.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ong Ah Ho @ Ong Yoke Hong	925,000	1.2448
11.	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD	791,100	1.0646
12.	TAN MENG HOOI	710,000	0.9555
13.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ong Yok Choo	685,500	0.9225
14.	LEE HA MING	600,000	0.8074
15.	MAYBAN NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Mohd Zaidy Bin Yahaya	600,000	0.8074
16.	LEE HA MING	600,000	0.8074
17.	SIA KEAN TEONG	550,000	0.7401
18.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Yap Qwee Beng	550,000	0.7401
19.	TANG HUAT WONG	541,600	0.7288



## ANALYSIS OF WARRANTHOLDINGS (Cont'd)

As At 5 MAY 2008

### B) List of 30 Largest Warrantholders

No.	Name	No. of Warrants Held	Percentage (%)
20.	SIM MONG HUAT	510,000	0.6863
21.	YU SIEW EK	507,700	0.6832
22.	PEK PENG HUEE	500,000	0.6729
23.	TEOH TEE TEE @ TEOH SENG CHAI	440,000	0.5921
24.	TAN GEEK JOO	430,000	0.5787
25.	HO KIAN GUAN	401,500	0.5403
26.	TAN CHONG LIANG @ THAN CHONG KIM	400,000	0.5383
27.	MAYBAN NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Kek Lian Lye	400,000	0.5383
28.	LOO WEE WEN	400,000	0.5383
29.	TANG TAT SENG	400,000	0.5383
30.	YAP CHEE HOCK	400,000	0.5383

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

#### WARRANTS 2003/2008

Directors	Warrants 2003/2008			
	Direct Interest		Deemed Interest	
	No. of warrants	%	No. of warrants	%
Tan Sri Dato' Low Nam Hui	-	-	-	-
Low Quek Kiong	-	-	10,287 *1	0.014
Low Kueck Shin	-	-	10,287 *1	0.014
Low Kwek Lee	-	-	10,287 *1	0.014
Low Kuek Kong	-	-	10,287 *1	0.014
Loh Wann Yuan	-	-	-	-
Lee Chon Sing	-	-	-	-
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
Law Piang Woon	-	-	-	-

**Note:-**

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



## 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 Eighth Annual General Meeting of the Company to be held on Thursday, the 26th day of June, 2008 at 11:30 a.m. at Merdeka Room, Ground Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru and at any adjournment thereof. \* My / our proxy is to vote as indicated below :

No.	RESOLUTION	FOR	AGAINST
1.	Approval of Directors' Fees		
2.	Re-election of Director - Low Kuek Kong		
3.	Re-election of Director - Low Kwek Lee		
4.	Re-election of Director - Brig. Jen. (B). Dato' Ali Bin Hj. Musa		
5.	Re-appointment of Director - Tan Sri Dato' Low Nam Hui		
6.	Re-appointment of Messrs KPMG as Auditors.		
<b>Special Business:</b>			
7.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Seri Cemerlang Plantation (Pahang) Sdn Bhd.		
9.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Pengangkutan Low Nam Hui Sdn Bhd.		

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

Number of shares held	
-----------------------	--

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

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

**Note :**

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

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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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**HARN LEN CORPORATION BHD** (Co. No. 502606-H)  
6th FLOOR JOHOR TOWER  
15 JALAN GEREJA,  
80100 JOHOR BAHRU,  
JOHOR, MALAYSIA.  
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