

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

### Objectives

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

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

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

### Duties and Responsibilities

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

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

### Authority

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



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

### Meetings and activities

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

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

The AC held six (6) meetings during the financial year ended 31 December 2008 and full attendance was recorded for all the AC meetings. The dates of the meetings were 28 February 2008, 17 March 2008, 26 May 2008, 18 June 2008, 28 August 2008 and 26 November 2008. During the year under review, the activities of the AC included :-

- reviewing the unaudited quarterly financial results and announcements of the results prior to the approval of the Board of Directors;
- reviewing the audit reports and audit plans with the external auditors;
- reviewing the internal audit report with the appointed internal auditors and the in-house internal audit team;
- reviewing related party transactions including review procedures;
- reviewing financial budgets;
- appraising the level of corporate governance;
- reviewing statements/reports for disclosure in the annual report;
- reviewing the proposed appointment of new internal auditors;
- reviewing the risk management report; and
- discussing any other matters raised during the meeting.

A summary of the activities of the internal audit function are set out separately.

### Other matters

In accordance with recent amendments to the Listing Requirements, the functions, structure and certain procedures of the AC were amended accordingly in order to comply with the new requirements over the stipulated timeframe.

## STATEMENT ON INTERNAL CONTROL

### Introduction

The Board is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2008.

### Board's Responsibility

The Board acknowledges the importance of maintaining a sound system of internal control that covers the financial, operational and compliance controls and risk management practices in the organisation to safeguard the shareholders' investment and the Group's assets. The Board acknowledges its responsibility to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. However, due to the inherent limitations of any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve the Group's objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

### Risk Management Framework

The Board recognises risk management as a vital part of business operations to achieve sustained profitability and enhanced shareholders' value. As such, the Board has adopted an Enterprise Risk Management ("ERM") framework which is developed within its risk appetite as an ongoing process for identifying, evaluation and managing the significant risks faced by the Group for the financial year under review.

The Board has set up a Risk Management Committee ("RMC") which comprises of Executive Directors and Senior Management of the Group. The RMC is responsible to implement the Group's risk management policy and on quarterly basis, report directly to the Board on the results of identification, evaluation and management of significant risks faced by the Group.

The RMC in its meetings has discussed on the status of risks, measures taken and suitable follow-up actions. As part of the tools for documenting the Group's risks profile, risks identified are depicted in a risk map which shows the positioning of key risks identified in terms of the impact and likelihood of occurrence. This provides the Board and Senior Management with an overview of the risk exposure of the Group.

The Board believes that an effective ERM provides reasonable assurance that the progress towards achieving the Group's business objectives are properly managed and monitored.

### Internal Audit Function

The internal audit function of the Group is outsourced to an external consultant who reports directly to the Audit Committee on a half yearly basis. The cost incurred for the outsourced internal audit function for the financial year ended 31 December, 2008 was RM62,000.

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

### Other Control Processes

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

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

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

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



## ADDITIONAL COMPLIANCE INFORMATION

### 1. Non-Audit Fees

The amount of non-audit fees payable to the external auditors by the Company for the financial year ended 31 December, 2008 is RM61,500.

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

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

### 3. Material contracts

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

### 4. Utilisation of Proceeds

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

### 5. Share Buy-Back

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

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

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

### 7. Sanctions and/or Penalties

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

### 8. Variation in results

There were no variances of more than 10% for the audited results of the Group from the unaudited results as announced on 26 February 2009.

### 9. Profit Guarantee

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

# **FINANCIAL STATEMENT**

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## DIRECTOR'S REPORT

For the year ended 31 December 2008

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 2008.

### 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	20,977,154	8,687,736
Minority interest	(612,559)	--
	20,364,595	8,687,736

### Reserves and provisions

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

### Dividends

Since the end of the previous financial year, the Company declared a first interim single tier dividend of 2 sen per ordinary share totalling RM3,709,543 in respect of the year ended 31 December 2008 on 27 November 2008 and paid on 19 January 2009.

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

### Directors of the Company

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

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



## DIRECTOR'S REPORT

For the year ended 31 December 2008 (Cont'd)

### 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 2008
		At 1 January 2008	Bought	Sold	
<b>Company</b>					
Tan Sri Dato' Low Nam Hui	Deemed	56,063,696 <sup>*1</sup>	14,465,063	--	70,528,759 <sup>*1</sup>
Mr. Low Quek Kiong	Direct	20,000	--	--	20,000
	Deemed	113,620,223 <sup>*2</sup>	14,772,085	(5,560,000)	122,832,308 <sup>*2</sup>
Mr. Low Kueck Shin	Deemed	113,640,223 <sup>*3</sup>	14,772,085	(5,560,000)	122,852,308 <sup>*3</sup>
Mr. Low Kwek Lee	Deemed	113,640,223 <sup>*3</sup>	14,772,085	(5,560,000)	122,852,308 <sup>*3</sup>
Mr. Low Kuek Kong	Deemed	113,640,223 <sup>*3</sup>	14,772,085	(5,560,000)	122,852,308 <sup>*3</sup>
Mr. Lee Chon Sing	Direct	50,001	--	--	50,001
Mr. Loh Wann Yuan	Direct	1	--	--	1

#### Subsidiaries

##### - Masranti Plantation Sdn. Bhd.

Tan Sri Dato' Low Nam Hui	Deemed	16,024,012	--	--	16,024,012
Mr. Low Quek Kiong	Deemed	16,024,012	--	--	16,024,012
Mr. Low Kueck Shin	Deemed	16,024,012	--	--	16,024,012
Mr. Low Kwek Lee	Deemed	16,024,012	--	--	16,024,012
Mr. Low Kuek Kong	Deemed	16,024,010	--	--	16,024,010

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

Tan Sri Dato' Low Nam Hui	Deemed	3	--	--	3
Mr. Low Quek Kiong	Deemed	3	--	--	3
Mr. Low Kueck Shin	Deemed	3	--	--	3
Mr. Low Kwek Lee	Deemed	3	--	--	3
Mr. Low Kuek Kong	Deemed	3	--	--	3

Name of Directors	Interest	Number of warrants				At 31 December 2008
		At 1 January 2008	Bought	Sold	Expired	
<b>Company</b>						
Tan Sri Dato' Low Nam Hui	Deemed	400,000 <sup>*4</sup>	--	(400,000)	--	--
Mr. Low Quek Kiong	Deemed	410,287 <sup>*5</sup>	--	(400,000)	(10,287)	--
Mr. Low Kueck Shin	Deemed	410,287 <sup>*5</sup>	--	(400,000)	(10,287)	--
Mr. Low Kwek Lee	Deemed	410,287 <sup>*5</sup>	--	(400,000)	(10,287)	--
Mr. Low Kuek Kong	Deemed	410,287 <sup>*5</sup>	--	(400,000)	(10,287)	--

\*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 shares held by his spouse Puan Sri Datin Chan Pui Leorn, and his children, Mr. Low Quek Kiong Mr. Low Kok Yong and Ms. Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

## DIRECTOR'S REPORT

### For the year ended 31 December 2008 (Cont'd)

- \*2 By virtue of his interest in Lian Hup Manufacturing Company Sdn. Berhad, Syarikat Senang Oil Palm Estate Sdn. Bhd., Perdana Properties Berhad, Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd. and Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and the shares held by his sibling, Mr. Low Kok Yong and Ms. Low Siew Eng 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, Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd. and Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and the shares held by his siblings, Mr. Low Quek Kiong, Mr. Low Kok Yong and Ms. Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*4 By virtue of his 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 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 all the wholly-owned subsidiaries of the Company.

### 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.

### 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 RCSLS.

## DIRECTOR'S REPORT

### For the year ended 31 December 2008 (Cont'd)

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 remain unexercised and had expired on 18 July 2008.

### 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.



## **DIRECTOR'S REPORT**

### **For the year ended 31 December 2008 (Cont'd)**

In the opinion of the Directors, the results of the operations of the Group and of the Company for the year ended 31 December 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### **Auditors**

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

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

.....  
**Low Quek Kiong**

.....  
**Low Kueck Shin**

Johor Bahru,

Date: 28 April 2009



## **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 35 to 76 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

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: 28 April 2009



## **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 35 to 76 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  
28 April 2009

.....  
**Low Quek Kiong**

Before me:  
K.AMUDALINGAM  
PLP, PIS, PPN  
Commissioner For Oaths  
J-133

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARN LEN CORPORATION BHD**

### **Report on the Financial Statements**

We have audited the financial statements of Harn Len Corporation Bhd, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 76.

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

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

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

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARN LEN CORPORATION BHD (Cont'd)**

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

### **Report on Other Legal and Regulatory Requirements**

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

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

### **Other Matters**

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

#### **KPMG**

Firm Number: AF 0758  
Chartered Accountants

#### **Ang Ah Leck**

Approval Number: 1991/09/09 (J)  
Chartered Accountant

Johor Bahru

Date: 28 April 2009



## BALANCE SHEETS

### At 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Assets</b>					
Property, plant and equipment	3	95,540,574	95,336,169	79,528,002	80,776,324
Prepaid lease payments	4	135,899,061	138,011,631	82,877,905	84,123,781
Biological assets	5	86,992,703	79,901,828	755,507	--
Investment property	6	11,850,277	11,815,967	--	--
Investments in subsidiaries	7	--	--	87,089,097	87,089,097
Deferred tax assets	8	764,920	--	--	--
Goodwill on consolidation	9	7,616,523	7,616,523	--	--
<b>Total non-current assets</b>		<u>338,664,058</u>	<u>332,682,118</u>	<u>250,250,511</u>	<u>251,989,202</u>
Inventories	10	3,864,839	4,280,499	1,353,082	1,770,250
Trade and other receivables	11	8,909,845	7,861,407	68,156,081	55,559,174
Tax recoverable		555,834	400,266	--	398,439
Cash and cash equivalents	12	4,333,964	2,254,175	3,539,689	1,040,191
<b>Total current assets</b>		<u>17,664,482</u>	<u>14,796,347</u>	<u>73,048,852</u>	<u>58,768,054</u>
<b>Total assets</b>		<u>356,328,540</u>	<u>347,478,465</u>	<u>323,299,363</u>	<u>310,757,256</u>
<b>Equity</b>					
Share capital		185,477,159	185,477,159	185,477,159	185,477,159
Reserves		41,414,579	24,146,968	19,526,062	14,547,869
<b>Total equity attributable to equity holders of the Company</b>		<u>226,891,738</u>	<u>209,624,127</u>	<u>205,003,221</u>	<u>200,025,028</u>
<b>Minority interest</b>	14	<u>(630,625)</u>	<u>(18,066)</u>	<u>--</u>	<u>--</u>
<b>Total equity</b>		<u>226,261,113</u>	<u>209,606,061</u>	<u>205,003,221</u>	<u>200,025,028</u>
<b>Liabilities</b>					
Deferred tax liabilities	8	5,114,986	10,382,795	731,301	36,632
Retirement benefits	15	507,447	438,385	507,447	438,385
Loans and borrowings (secured)	16	59,195,454	71,142,536	39,617,215	48,720,226
<b>Total non-current liabilities</b>		<u>64,817,887</u>	<u>81,963,716</u>	<u>40,855,963</u>	<u>49,195,243</u>
Trade and other payables	17	34,083,992	28,592,800	50,206,264	37,733,649
Dividend payable		3,709,543	--	3,709,543	--
Loans and borrowings (secured)	16	25,958,460	26,394,395	22,026,827	23,803,336
Taxation		1,497,545	921,493	1,497,545	--
<b>Total current liabilities</b>		<u>65,249,540</u>	<u>55,908,688</u>	<u>77,440,179</u>	<u>61,536,985</u>
<b>Total liabilities</b>		<u>130,067,427</u>	<u>137,872,404</u>	<u>118,296,142</u>	<u>110,732,228</u>
<b>Total equity and liabilities</b>		<u>356,328,540</u>	<u>347,478,465</u>	<u>323,299,363</u>	<u>310,757,256</u>

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



## INCOME STATEMENTS

For the year ended 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Revenue</b>	18	137,528,025	101,066,920	98,015,029	83,879,550
Cost of goods sold		<u>(79,471,067)</u>	<u>(56,533,655)</u>	<u>(56,276,421)</u>	<u>(45,571,598)</u>
<b>Gross profit</b>	18	58,056,958	44,533,265	41,738,608	38,307,952
Other income		329,981	231,830	315,797	216,958
Administrative expenses		(15,589,322)	(15,923,686)	(12,361,804)	(13,186,316)
Distribution expenses		(6,186,428)	(3,818,370)	(3,980,330)	(2,472,487)
Other expenses		<u>(6,807,893)</u>	<u>(257,395)</u>	<u>(6,570,197)</u>	<u>(7,374)</u>
<b>Results from operating activities</b>		29,803,296	24,765,644	19,142,074	22,858,733
Interest income		8,421	8,353	8,421	8,353
Finance costs	19	<u>(5,890,032)</u>	<u>(5,709,765)</u>	<u>(4,450,710)</u>	<u>(4,612,637)</u>
<b>Profit before tax</b>	20	23,921,685	19,064,232	14,699,785	18,254,449
Tax expense	21	<u>(3,557,090)</u>	<u>(6,434,606)</u>	<u>(6,012,049)</u>	<u>(6,375,909)</u>
<b>Profit for the year</b>		<u>20,364,595</u>	<u>12,629,626</u>	<u>8,687,736</u>	<u>11,878,540</u>
<b>Attributable to:</b>					
Equity holders of the Company		20,977,154	12,580,905	8,687,736	11,878,540
Minority interest		<u>(612,559)</u>	<u>48,721</u>	<u>--</u>	<u>--</u>
<b>Profit for the year</b>		<u>20,364,595</u>	<u>12,629,626</u>	<u>8,687,736</u>	<u>11,878,540</u>
Earning per ordinary share (sen)	22	<u>11.3</u>	<u>6.8</u>		

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

Group	Attributable to equity holders of the Company						Total equity RM
	Share capital RM	Share premium RM	Capital reserve RM	Distributable Retained earnings RM	Minority interest RM	Total RM	
<b>At 1 January 2007</b>	185,477,159	6,634,854	6,268,000	(1,336,791)	(66,787)	197,043,222	196,976,435
Profit for the year	--	--	--	12,580,905	48,721	12,580,905	12,629,626
<b>At 31 December 2007</b>	185,477,159	6,634,854	6,268,000	11,244,114	(18,066)	209,624,127	209,606,061
Profit for the year	--	--	--	20,977,154	(612,559)	20,977,154	20,364,595
Dividends to shareholders	--	--	--	(3,709,543)	--	(3,709,543)	(3,709,543)
<b>At 31 December 2008</b>	185,477,159	6,634,854	6,268,000	28,511,725	(630,625)	226,891,738	226,261,113

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





**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2008 (Cont'd)

		← Share capital RM	Non-distributable Share premium RM	→ Capital reserve RM	(Accumulated losses)/ Distributable Retained earnings RM	Total equity RM
<b>Company</b>						
<b>At 1 January 2007</b>		185,477,159	6,634,854	6,268,000	(10,233,525)	188,146,488
Profit for the year		--	--	--	11,878,540	11,878,540
<b>At 31 December 2007</b>		185,477,159	6,634,854	6,268,000	1,645,015	200,025,028
Profit for the year		--	--	--	8,687,736	8,687,736
Dividends to shareholders	23	--	--	--	(3,709,543)	(3,709,543)
<b>At 31 December 2008</b>		185,477,159	6,634,854	6,268,000	6,623,208	205,003,221

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



## CASH FLOW STATEMENTS

For the year ended 31 December 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Cash flows from operating activities</b>				
Profit before tax	23,921,685	19,064,232	14,699,785	18,254,449
Adjustments for:				
Depreciation and amortisation	9,715,807	7,096,739	4,907,400	4,390,125
Finance costs	5,890,032	5,709,765	4,450,710	4,612,637
Retirement benefits	69,062	246,385	69,062	246,385
Gain on disposal of property, plant and equipment	(127,651)	(66,631)	(126,851)	(85,016)
Property development expenditure written off	--	13,125	--	--
Interest income	(8,421)	(8,353)	(8,421)	(8,353)
Dividend income	--	--	--	(11,813,628)
<b>Operating profit before changes in working capital</b>	<b>39,460,514</b>	<b>32,055,262</b>	<b>23,991,685</b>	<b>15,596,599</b>
Changes in working capital:				
Inventories	415,660	(151,187)	417,168	(194,482)
Trade and other receivables	(1,048,438)	(3,413,044)	(12,596,907)	(22,523,839)
Trade and other payables	5,491,192	540,683	12,472,615	1,481,893
<b>Cash generated from/(used in) operations</b>	<b>44,318,928</b>	<b>29,031,714</b>	<b>24,284,561</b>	<b>(5,639,829)</b>
Tax paid	(9,169,335)	(9,029,350)	(3,421,396)	(4,934,239)
<b>Net cash from/(used in) operating activities</b>	<b>35,149,593</b>	<b>20,002,364</b>	<b>20,863,165</b>	<b>(10,574,068)</b>

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



## CASH FLOW STATEMENTS

For the year ended 31 December 2008 (Cont'd)

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Cash flows from investing activities</b>					
Acquisition of:					
- property, plant and equipment	24	(4,939,619)	(6,007,968)	(2,236,351)	(3,881,704)
- biological assets	25	(8,268,478)	(5,619,668)	(755,507)	--
- investment properties		(34,310)	(1,409,059)	--	--
Proceeds from disposal of property, plant and equipment		176,000	131,617	170,000	150,000
Interest received		8,421	8,353	8,421	8,353
Increase in pledged deposits placed with licensed banks		(8,421)	(8,353)	(8,421)	(8,353)
<b>Net cash used in investing activities</b>		<u>(13,066,407)</u>	<u>(12,905,078)</u>	<u>(2,821,858)</u>	<u>(3,731,704)</u>
<b>Cash flows from financing activities</b>					
Interest paid		(6,196,201)	(6,861,821)	(4,450,710)	(4,612,637)
Dividend income		--	--	--	8,623,948
Payment of finance lease liabilities		(1,514,476)	(921,183)	(798,379)	(506,221)
Proceeds from term loan		--	49,000,000	--	49,000,000
Repayment of loans and borrowings		(9,628,000)	(43,007,080)	(7,628,000)	(33,517,000)
<b>Net cash (used in)/from financing activities</b>		<u>(17,338,677)</u>	<u>(1,790,084)</u>	<u>(12,877,089)</u>	<u>18,988,090</u>
<b>Net increase in cash and cash equivalents</b>		4,744,509	5,307,202	5,164,218	4,682,318
<b>Cash and cash equivalents at 1 January</b>		<u>(3,390,187)</u>	<u>(8,697,389)</u>	<u>(4,604,171)</u>	<u>(9,286,489)</u>
<b>Cash and cash equivalents at 31 December</b>		<u><u>1,354,322</u></u>	<u><u>(3,390,187)</u></u>	<u><u>560,047</u></u>	<u><u>(4,604,171)</u></u>

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



## CASH FLOW STATEMENTS

### For the year ended 31 December 2008 (Cont'd)

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash and bank balances	4,085,152	2,013,784	3,290,877	799,800
Bank overdraft	(2,730,830)	(5,403,971)	(2,730,830)	(5,403,971)
	<u>1,354,322</u>	<u>(3,390,187)</u>	<u>560,047</u>	<u>(4,604,171)</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

Harn Len Corporation Bhd is a public limited liability company, incorporated and domiciled in Malaysia and 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**

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2008 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 28 April 2009.

### 1. Basis of preparation

#### (a) Statement of compliance

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

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, <i>Insurance Contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segment</i>	1 July 2009
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs / Interpretations from the annual period beginning 1 January 2010.

The impact of applying FRS 4, FRS 7 and 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 exemptions given in the respective FRSs. The initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

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

### (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 RM47,585,058 and RM4,391,327 respectively as at 31 December 2008. 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 their 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 their 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 - recognition of unutilised tax losses and unabsorbed capital allowances
- Note 9 - valuation of goodwill on consolidation

## 2. Significant accounting policies

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

### (a) Basis of consolidation

#### (i) Subsidiaries

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

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

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

#### (ii) *Minority interest*

Minority interest at the balance sheet date, being the portion of the net identifiable assets 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 holders of the Company. Minority interest 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 holders 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.



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

### (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.

#### (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. 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.



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

### (d) Biological assets

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

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

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

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

### (e) Investment properties

#### (i) *Investment 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 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.

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.

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

### (f) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assume 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

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, 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.

For business acquisitions beginning from 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 statement.

#### (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 usually 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.

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

### (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.

### (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.



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

### (o) Revenue recognition (continued)

#### (ii) *Services rendered*

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

#### (iii) *Rental income*

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

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

#### (iv) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

### (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 immature 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.

### (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.



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

### (r) Employee benefits (continued)

#### (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

	Land and buildings RM	Road and bridges RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
<b>Group</b>					
<b>At cost</b>					
At 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/ 1 January 2008	69,278,123	13,577,168	11,009,128	14,197,992	108,062,411
Additions	1,489,866	863,761	829,322	3,189,270	6,372,219
Disposal	--	--	--	(376,000)	(376,000)
At 31 December 2008	70,767,989	14,440,929	11,838,450	17,011,262	114,058,630
<b>Accumulated depreciation</b>					
At 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/ 1 January 2008	2,276,191	3,947,085	2,675,297	3,827,669	12,726,242
Depreciation charge	1,151,008	1,425,570	1,130,589	2,412,298	6,119,465
Disposal	--	--	--	(327,651)	(327,651)
At 31 December 2008	3,427,199	5,372,655	3,805,886	5,912,316	18,518,056
<b>Carrying amounts</b>					
At 31 December 2008	67,340,790	9,068,274	8,032,564	11,098,946	95,540,574
At 31 December 2007	67,001,932	9,630,083	8,333,831	10,370,323	95,336,169



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

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

	Land and buildings RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
<b>Company</b>				
<b>At cost</b>				
At 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/ 1 January 2008	69,478,400	10,985,817	9,983,355	90,447,572
Additions	665,000	443,812	1,347,539	2,456,351
Disposal	--	--	(370,000)	(370,000)
At 31 December 2008	70,143,400	11,429,629	10,960,894	92,533,923
<b>Accumulated depreciation</b>				
At 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/ 1 January 2008	4,490,899	2,671,951	2,508,398	9,671,248
Depreciation charge	1,048,099	1,116,102	1,497,323	3,661,524
Disposal	--	--	(326,851)	(326,851)
At 31 December 2008	5,538,998	3,788,053	3,678,870	13,005,921
<b>Carrying amounts</b>				
At 31 December 2008	64,604,402	7,641,576	7,282,024	79,528,002
At 31 December 2007	64,987,501	8,313,866	7,474,957	80,776,324

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Carrying amounts of land and buildings</b>				
Freehold land	20,770,000	20,770,000	20,770,000	20,770,000
Buildings	46,570,790	46,231,932	43,834,402	44,217,501
	<u>67,340,790</u>	<u>67,001,932</u>	<u>64,604,402</u>	<u>64,987,501</u>

#### Security

Freehold land and buildings of the Group and of the Company with a carrying amount of RM61,991,750 (2007: RM62,916,350) are 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 (continued)

#### *Leased motor vehicles*

Included in the property, plant and equipment of the Group and of the Company are motor vehicles acquired under lease financing with carrying amount of RM4,803,333 (2007: RM4,245,277) and RM2,165,254 (2007: RM2,669,518) 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	
	2008 RM	2007 RM
Income statements	5,235,053	3,900,035
Biological assets	884,412	1,277,041
	6,119,465	5,177,076

### 4. Prepaid lease payments

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b><i>At cost</i></b>				
At 1 January/31 December	149,577,044	149,577,044	89,626,400	89,626,400
<b><i>Accumulated amortisation</i></b>				
At 1 January	11,565,413	9,452,843	5,502,619	4,256,743
Amortisation charge	2,112,570	2,112,570	1,245,876	1,245,876
At 31 December	13,677,983	11,565,413	6,748,495	5,502,619
<b><i>Carrying amounts</i></b>				
At 31 December	135,899,061	138,011,631	82,877,905	84,123,781

#### *Others*

Depreciation charge for prepaid lease payments is allocated as follows:

	Group	
	2008 RM	2007 RM
Income statements	2,037,924	1,838,676
Biological assets	74,646	273,894
	2,112,570	2,112,570

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



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

### 4. Prepaid lease payments (continued)

The prepaid lease payments of the Group and of the Company are 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 at acquisition and hence no value is placed on the plantation development expenditure.

### 5. Biological assets

	Plantation development expenditure - oil palm RM	Plantation development expenditure - teak tree RM	Total RM
<b>Group</b>			
<b>At cost</b>			
At 1 January 2007	74,972,968	589,084	75,562,052
Additions	8,248,489	74,170	8,322,659
Written off	--	(13,125)	(13,125)
At 31 December 2007/1 January 2008	83,221,457	650,129	83,871,586
Additions	9,471,707	61,998	9,533,705
At 31 December 2008	92,693,164	712,127	93,405,291
<b>Accumulated amortisation</b>			
At 1 January 2007	2,611,730	--	2,611,730
Amortisation charge	1,358,028	--	1,358,028
At 31 December 2007/1 January 2008	3,969,758	--	3,969,758
Amortisation charge	2,442,830	--	2,442,830
At 31 December 2008	6,412,588	--	6,412,588
<b>Carrying amounts</b>			
At 31 December 2008	86,280,576	712,127	86,992,703
At 31 December 2007	79,251,699	650,129	79,901,828
<b>Company</b>			
<b>At cost</b>			
At 1 January 2008	--	--	--
Additions	755,507	--	755,507
At 31 December 2008	755,507	--	755,507
<b>Carrying amounts</b>			
At 31 December 2008	755,507	--	755,507



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

### 5. Biological assets (continued)

#### Others

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

	2008 RM	2007 RM
Finance costs	306,169	1,152,056
Depreciation and amortisation (see Note 3 and 4)	959,058	1,550,935
Personnel expenses (including key management personnel)		
- Contributions to Employees Provident Fund	26,239	36,945
- Wages, salaries and others	243,950	346,747
	<u>243,950</u>	<u>346,747</u>

The plantation development of a subsidiary is situated on Native Customary Rights Land Development Area in Sarawak. Pursuant to the Joint Venture Agreement dated 3 September 2004, the joint venture partner, Pelita Holdings Sdn. Bhd. will undertake to procure the alienation of the land from the Sarawak State Government to the Company. As at todate, the land is yet to be alienated to the said subsidiary.

### 6. Investment property

	Land RM	Property development expenditure RM	Total RM
<b>Group</b>			
<b>At cost</b>			
At 1 January 2007	10,300,000	106,908	10,406,908
Additions	--	1,409,059	1,409,059
At 31 December 2007/1 January 2008	10,300,000	1,515,967	11,815,967
Additions	--	34,310	34,310
At 31 December 2008	<u>10,300,000</u>	<u>1,550,277</u>	<u>11,850,277</u>

#### Fair value

The fair value of the investment property as at 31 December 2008 is RM11,850,000. The fair value is determined by independent professional qualified valuer using open market value method.

### 7. Investments in subsidiaries

	Company	
	2008 RM	2007 RM
Unquoted shares, at cost	<u>87,089,097</u>	<u>87,089,097</u>



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

### 7. Investments in subsidiaries (continued)

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

Name of company	Principal activities	Effective ownership interest	
		2008 %	2007 %
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 Billion 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 RM50,000,000 has been charged to a bank as security to obtain bank overdraft and term loan facilities of the Company and a subsidiary.

### 8. Deferred tax assets and liabilities

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Deferred tax assets	(764,920)	--	--	--
Deferred tax liabilities	5,114,986	10,382,795	731,301	36,632
	<u>4,350,066</u>	<u>10,382,795</u>	<u>731,301</u>	<u>36,632</u>

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Property, plant and equipment				
- capital allowances	9,781,990	2,513,288	1,161,920	786,000
- fair value adjustment	7,860,239	8,618,875	--	--
Gain on crude palm oil swap receivables	837,000	--	837,000	--
Provision	(130,440)	(135,368)	(130,440)	(135,368)
Unabsorbed capital allowances	(9,358,043)	(614,000)	(1,137,179)	(614,000)
Unutilised tax losses	(4,640,680)	--	--	--
	<u>4,350,066</u>	<u>10,382,795</u>	<u>731,301</u>	<u>36,632</u>

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

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

Movement in temporary difference during the year are as follows:

Group	At 1 January 2008 RM	Recognised in income statements RM	At 31 December 2008 RM
Property, plant and equipment			
- capital allowances	2,513,288	7,268,702	9,781,990
- fair value adjustment	8,618,875	(758,636)	7,860,239
Gain on crude palm oil swap receivables	--	837,000	837,000
Provision	(135,368)	4,928	(130,440)
Unabsorbed capital allowances	(614,000)	(8,744,043)	(9,358,043)
Unutilised tax losses	--	(4,640,680)	(4,640,680)
	<u>10,382,795</u>	<u>(6,032,729)</u>	<u>4,350,066</u>

#### Company

Property, plant and equipment			
- capital allowances	786,000	375,920	1,161,920
Gain on crude palm oil swap receivables	--	837,000	837,000
Provision	(135,368)	4,928	(130,440)
Unabsorbed capital allowances	(614,000)	(523,179)	(1,137,179)
	<u>36,632</u>	<u>694,669</u>	<u>731,301</u>

Group	At 1 January 2007 RM	Recognised in income statements RM	At 31 December 2007 RM
Property, plant and equipment			
- capital allowances	2,640,000	(126,712)	2,513,288
- fair value adjustment	9,081,502	(462,627)	8,618,875
Provision	(68,536)	(66,832)	(135,368)
Unabsorbed capital allowances	(521,456)	(92,544)	(614,000)
	<u>11,131,510</u>	<u>(748,715)</u>	<u>10,382,795</u>

#### Company

Property, plant and equipment			
- capital allowances	773,000	13,000	786,000
Provision	(68,536)	(66,832)	(135,368)
Unabsorbed capital allowances	(522,000)	(92,000)	(614,000)
	<u>182,464</u>	<u>(145,832)</u>	<u>36,632</u>



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

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

#### Unrecognised deferred tax assets

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

	Group	
	2008 RM'000	2007 RM'000
Property, plant and equipment - capital allowances	18,797	45,737
Unutilised tax losses	(21,356)	(21,756)
Unabsorbed capital allowances	(11,542)	(50,168)
	(14,101)	(26,187)

The unutilised tax losses and unabsorbed 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 subsidiaries can utilise the benefits there from.

### 9. Goodwill on consolidation

	Group	
	2008 RM	2007 RM
Carrying amounts	7,616,523	7,616,523

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

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

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

	Group	
	2008 RM	2007 RM
Masranti Plantation Sdn. Bhd.	5,794,799	5,794,799
Uniglobal Sdn. Bhd.	1,821,724	1,821,724
	7,616,523	7,616,523



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

### 9. Goodwill on consolidation (continued)

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

- Cash flows were projected based on a 10 years forecast and projections.
- Production yield is projected based on industry growth rate.
- Commodity price is projected based on current market price and remains constant throughout the projected period.
- Expenses were projected at annual increase of approximately 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.

### 10. Inventories

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Agricultural produce	747,434	1,412,351	747,434	1,412,351
Consumables and spares	1,993,594	1,184,583	605,648	357,899
Nursery	1,123,811	1,683,565	--	--
	<u>3,864,839</u>	<u>4,280,499</u>	<u>1,353,082</u>	<u>1,770,250</u>

### 11. Trade and other receivables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables	3,520,651	6,095,072	1,892,914	3,273,690
Other receivables, deposits and prepayments	5,380,459	1,627,766	3,672,151	202,756
Due from subsidiaries				
- Non-trade	--	--	62,582,281	51,944,159
Due from affiliated companies				
- Trade	6,683	--	6,683	--
- Non-trade	2,052	138,569	2,052	138,569
	<u>8,909,845</u>	<u>7,861,407</u>	<u>68,156,081</u>	<u>55,559,174</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.

Included in other receivables, deposits and prepayments of the Group/Company is gain on crude palm oil swap receivables amounting to RM3,348,000 (2007: NIL).



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

### 12. Cash and cash equivalents

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash and bank balances	4,085,152	2,013,784	3,290,877	799,800
Deposits placed with licensed banks	248,812	240,391	248,812	240,391
	<u>4,333,964</u>	<u>2,254,175</u>	<u>3,539,689</u>	<u>1,040,191</u>

The deposits of the Group and of the Company of RM248,812 (2007: RM240,391) are pledged to licensed banks as security for bank guarantee facilities granted to the Group and the Company.

### 13. Share capital and reserves

#### Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2008 RM	2007 RM	2008	2007
Ordinary shares of RM1.00 each:				
Authorised	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>

#### Section 108 tax credit

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Company will adopt the single tier company income tax system with effect from year of assessment 2008.

#### 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.

All the warrants remained unexercised and had expired on 18 July 2008.



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

### 13. Share capital and reserves (continued)

#### Reserves

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Distributable</b>				
Retained earnings	28,511,725	11,244,114	6,623,208	1,645,015
<b>Non-distributable</b>				
Share premium	6,634,854	6,634,854	6,634,854	6,634,854
Capital reserves	6,268,000	6,268,000	6,268,000	6,268,000
	<u>41,414,579</u>	<u>24,146,968</u>	<u>19,526,062</u>	<u>14,547,869</u>

### 14. 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 its paid-up share capital to RM24,000,000 and the minority shareholder of the said subsidiary, being the joint venture partner of the development, has undertaken to subscribe for 40% of the increased paid-up share capital i.e. RM9,600,000 in accordance with the Joint Venture Agreement dated 3 September 2004 (see Note 5).

### 15. Retirement benefits

As at 31 December 2008, the hotel retirement benefit accruing to the hotel employees amounted to RM1,060,759 (2007: RM1,036,202). 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 RM553,312 (2007: RM597,837) was not recognised in the financial statements.

### 16. Loans and borrowings (secured)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Non-current</b>				
Finance lease liabilities	2,096,454	2,415,536	1,068,215	1,543,226
Term loans	57,099,000	68,727,000	38,549,000	47,177,000
	59,195,454	71,142,536	39,617,215	48,720,226
<b>Current</b>				
Finance lease liabilities	1,599,630	1,362,424	667,997	771,365
Term loans	21,628,000	19,628,000	18,628,000	17,628,000
Bank overdraft	2,730,830	5,403,971	2,730,830	5,403,971
	<u>25,958,460</u>	<u>26,394,395</u>	<u>22,026,827</u>	<u>23,803,336</u>
	<u>85,153,914</u>	<u>97,536,931</u>	<u>61,644,042</u>	<u>72,523,562</u>



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

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

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	2008			2007		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
<b>Group</b>						
Less than one year	1,787,630	188,000	1,599,630	1,531,746	169,322	1,362,424
Between one and five years	2,342,665	246,211	2,096,454	2,698,580	283,044	2,415,536
	<u>4,130,295</u>	<u>434,211</u>	<u>3,696,084</u>	<u>4,230,326</u>	<u>452,366</u>	<u>3,777,960</u>
<b>Company</b>						
Less than one year	741,432	73,435	667,997	865,239	93,874	771,365
Between one and five years	1,185,384	117,169	1,068,215	1,713,424	170,198	1,543,226
	<u>1,926,816</u>	<u>190,604</u>	<u>1,736,212</u>	<u>2,578,663</u>	<u>264,072</u>	<u>2,314,591</u>

#### Security

The term loans and bank overdrafts 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.

#### Significant covenants

- a. The Group, Company and subsidiaries are required to maintain various ratios during the tenure of credit facilities.
  - i) gearing ratio (ranging lower than 0.5 to 2.0); and
  - ii) 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 the banks' prior written consent, incur or assume additional indebtedness or guarantee any indebtedness (except in the ordinary course of business), alter the present ownership structure and extend loans and advances to the Directors of the Company.
- 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.



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

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

#### Terms and debt repayment schedule

Group 2008	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
Bank overdraft		2,731	2,731	--	--	--
Finance lease liabilities	2009 - 2012	3,696	1,600	1,244	580	272
Secured term loans	2009 - 2014	78,727	21,628	13,628	40,584	2,887
		<u>85,154</u>	<u>25,959</u>	<u>14,872</u>	<u>41,164</u>	<u>3,159</u>
<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>Company 2008</b>						
Bank overdraft		2,731	2,731	--	--	--
Finance lease liabilities	2007 - 2012	1,736	668	505	291	272
Secured term loans	2009 - 2014	57,177	18,628	9,628	26,034	2,887
		<u>61,644</u>	<u>22,027</u>	<u>10,133</u>	<u>26,325</u>	<u>3,159</u>
<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>

### 17. Trade and other payables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade payables	12,492,035	7,448,197	5,637,029	4,494,982
Other payables and accrued expenses	20,950,544	20,516,637	8,774,774	8,859,017
Due to subsidiaries				
- Non-trade	--	--	35,154,801	23,953,962
Due to affiliated companies				
- Trade	639,660	425,688	639,660	425,688
- Non-trade	1,753	202,278	--	--
	<u>641,413</u>	<u>627,966</u>	<u>639,660</u>	<u>425,688</u>
	<u>34,083,992</u>	<u>28,592,800</u>	<u>50,206,264</u>	<u>37,733,649</u>



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

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

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

Included in other payables and accrued expenses of the Group is an amount of RM8,243,620 (2007: RM9,119,612) owing to a contractor for plantation development in certain subsidiaries.

### 18. Revenue/Gross profit

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Revenue</b>				
- Plantations	129,380,363	93,549,208	89,867,367	64,548,210
- Property and hotel	8,147,662	7,517,712	8,147,662	7,517,712
- Dividend income from a subsidiary	--	--	--	11,813,628
	<u>137,528,025</u>	<u>101,066,920</u>	<u>98,015,029</u>	<u>83,879,550</u>
Cost of sales of agricultural produces	70,482,977	48,327,118	47,288,331	37,365,061
Cost of services	8,988,090	8,206,537	8,988,090	8,206,537
	<u>79,471,067</u>	<u>56,533,655</u>	<u>56,276,421</u>	<u>45,571,598</u>
<b>Gross profit</b>	<u>58,056,958</u>	<u>44,533,265</u>	<u>41,738,608</u>	<u>38,307,952</u>

### 19. Finance costs

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Term loan interest	4,968,319	5,794,150	3,335,594	3,623,061
Others	1,227,882	1,067,671	1,115,116	989,576
	<u>6,196,201</u>	<u>6,861,821</u>	<u>4,450,710</u>	<u>4,612,637</u>
Less: Finance cost capitalised	<u>(306,169)</u>	<u>(1,152,056)</u>	--	--
	<u>5,890,032</u>	<u>5,709,765</u>	<u>4,450,710</u>	<u>4,612,637</u>



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

### 20. Profit before tax

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Audit fees				
- Current year	130,000	118,000	60,000	58,000
- (Over)/Under provided in prior year	--	(15,000)	--	5,000
Bad debts written off	754	35,120	754	35,120
Depreciation and amortisation	9,715,807	7,096,739	4,907,400	4,390,125
Personnel expenses (including key management personnel)				
- Contributions to Employees Provident Fund	1,191,190	1,000,983	944,680	882,177
- Wages, salaries and others	13,417,483	12,210,111	10,692,281	10,436,050
Rental of premises	12,000	18,600	12,000	12,000
Retirement benefits	69,062	246,385	69,062	246,385
(Reversal of)/Allowance of doubtful debts	(62,329)	13,352	(62,329)	13,352
Gain on disposal of property, plant and equipment	(127,651)	(66,631)	(126,851)	(85,016)
Losses in crude palm oil swap	6,570,197	--	6,570,197	--
	<u>6,570,197</u>	<u>--</u>	<u>6,570,197</u>	<u>--</u>

Staff costs and Employees Provident Fund are allocated as follows:

	Group	
	2008 RM	2007 RM
Wages, salaries and others (including Directors' remuneration)		
- income statements	13,417,483	12,210,111
- plantation development expenditure	243,950	346,745
	<u>13,661,433</u>	<u>12,556,856</u>
Employees Provident Fund		
- income statements	1,191,190	1,000,983
- plantation development expenditure	26,239	36,945
	<u>1,217,429</u>	<u>1,037,928</u>

#### 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.



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

### 20. Profit before tax (continued)

Key management personnel compensation are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors				
- Fees	135,000	135,000	135,000	135,000
- Remuneration	4,048,504	4,012,792	3,211,816	3,164,104
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	292,830	172,265	292,830	172,265
Total short-term employee benefits	4,476,334	4,320,057	3,639,646	3,471,369
Other key management personnel:				
- Remuneration	1,593,031	1,223,668	1,167,934	1,223,668
	<u>6,069,365</u>	<u>5,543,725</u>	<u>4,807,580</u>	<u>4,695,037</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	
	2008 RM	2007 RM	2008 RM	2007 RM
Tax expense				
- Current year	9,550,000	7,160,320	5,250,000	6,500,000
- Under provided in prior year	39,819	23,001	67,380	21,741
	9,589,819	7,183,321	5,317,380	6,521,741
Deferred tax (income)/expense				
- Origination and reversal of temporary differences	(5,972,248)	(727,120)	753,409	(125,832)
- Over provided in prior year	(60,481)	(21,595)	(58,740)	(20,000)
	(6,032,729)	(748,715)	694,669	(145,832)
	<u>3,557,090</u>	<u>6,434,606</u>	<u>6,012,049</u>	<u>6,375,909</u>



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

### 21. Tax expense (continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Reconciliation of effective tax expense</b>				
Profit before tax	23,922	19,064	14,700	18,254
Tax at Malaysian tax rate	6,221	5,147	3,822	4,929
Non deductible expenses	2,600	1,970	2,150	1,602
Reversal of deferred tax on revaluation surplus for freehold land	(306)	--	--	--
Unrecognised deferred tax	(4,699)	(244)	--	--
Utilisation of reinvestment allowance	--	(153)	--	(153)
Effect of changes in tax rate*	(238)	(286)	31	(4)
	3,578	6,434	6,003	6,374
(Over)/Under provided in prior year	(21)	1	9	2
Tax expense	3,557	6,435	6,012	6,376

\* The corporate tax rate is at 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 2008 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2008 RM	2007 RM
Profit for the year attributable to shareholders	20,977,154	12,580,905
Weighted average number of ordinary shares are determined as follows:		
	2008	2007
Weighted average number of ordinary shares at 31 December	185,477,159	185,477,159
Basic earnings per ordinary share (sen)	11.3	6.8

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

No disclosure is made for diluted earning per ordinary share for the year as it is anti-dilutive. The warrants have expired on 18 July 2008.



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

### 23. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM	Date of payment
<b>2008</b>			
2008 - Interim, single tier	2.0	<u>3,709,543</u>	19 January 2009

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current year's acquisition of plant and equipment	6,372,219	8,603,468	2,456,351	5,509,704
Less: Acquisition by lease financing	<u>(1,432,600)</u>	<u>(2,595,500)</u>	<u>(220,000)</u>	<u>(1,628,000)</u>
	<u>4,939,619</u>	<u>6,007,968</u>	<u>2,236,351</u>	<u>3,881,704</u>

### 25. Acquisition of biological assets

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current year's acquisition of biological assets	9,533,705	8,322,659	755,507	--
Less:				
- Non fund items capitalised:				
- Depreciation and amortisation	(959,058)	(1,550,935)	--	--
- Finance cost	<u>(306,169)</u>	<u>(1,152,056)</u>	<u>--</u>	<u>--</u>
	<u>8,268,478</u>	<u>5,619,668</u>	<u>755,507</u>	<u>--</u>

### 26. 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.

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

### 26. Segment reporting (continued)

Group	Plantations		Property and hotel		Consolidated	
	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM
<b>Business segments</b>						
Revenue from external customers	129,380,363	93,549,208	8,147,662	7,517,712	137,528,025	101,066,920
<b>Segment result/Operating profit/(loss)</b>	39,925,728	36,242,423	(1,033,998)	(1,485,434)	38,891,730	34,756,989
Unallocated expenses					(9,088,434)	(9,991,345)
Finance costs					(5,890,032)	(5,709,765)
Interest income					8,421	8,353
Profit before tax					23,921,685	19,064,232
Tax expense					(3,557,090)	(6,434,606)
Profit after tax					20,364,595	(12,629,626)
Minority interest					612,559	(48,721)
<b>Profit for the year</b>					20,977,154	12,580,905
<b>Segment assets/Total assets</b>						
Unallocated assets	267,588,989	263,421,658	80,002,123	80,305,981	347,591,112	343,727,639
					8,737,428	3,750,826
					356,328,540	347,478,465
<b>Segment liabilities/Total liabilities</b>						
Unallocated liabilities	52,546,305	54,314,394	2,303,929	3,284,085	54,850,234	57,598,479
					75,217,193	80,273,925
					130,067,427	137,872,404
Capital expenditure	14,378,585	10,047,338	1,561,649	5,584,857	15,940,234	15,632,195
Depreciation and amortisation	7,302,337	5,756,479	2,413,470	1,340,260	9,715,807	7,096,739
Non-cash expenses other than depreciation and amortisation	--	13,125	69,062	246,385	69,062	259,510





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

### 27. Commitments

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Capital commitment</b>				
<b>Property, plant and equipment</b>				
Contracted but not provided for	945,771	217,000	569,500	--
Authorised but not contracted for	4,319,073	--	340,000	--
<b>Other commitment</b>				
<b>Investments</b>				
Contracted but not provided for	14,400,000	14,400,000	--	--
	<u>19,664,844</u>	<u>14,617,000</u>	<u>909,500</u>	<u>--</u>

The estimated amount of plantation development expenditure not contracted and not provided for in the financial statement of the Group amounted to RM3,415,409 (2007: RM6,483,112).

### 28. Contingent liabilities

	Company	
	2008 RM'000	2007 RM'000
Corporate guarantees given to:		
- financial institution in respect of outstanding banking facilities of subsidiaries (secured)	23,393	24,971
- supplier in respect of outstanding amount owing by subsidiaries (unsecured)	4,044	--
	<u>27,437</u>	<u>24,971</u>

### 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.

At balance sheet date, the Group and the Company have significant concentrations of credit risk arising from amount due from three customers (2007: three customers) and one customer (2007: one), which is represent 60% (2007: 65%) and 72% (2007: 69%) of the total receivables of the Group and the Company. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.



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

### 29. Financial instruments (continued)

#### *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 2008	Average effective interest rate %	Total RM'000	Within 1 year RM'000	Average effective interest rates					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	3.50	249	249	--	--	--	--	--	--
<i>Secured</i>									
Term loans	6.17	(41,027)	(15,628)	(5,628)	(5,628)	(5,628)	(5,628)	(2,887)	
Finance lease liabilities	3.15	(3,696)	(1,600)	(1,244)	(580)	(272)	--	--	
		(44,474)	(16,979)	(6,872)	(6,208)	(5,900)	(5,628)	(2,887)	
<b>Floating rate instruments</b>									
<i>Secured</i>									
Term loans	7.00	(37,700)	(37,700)	--	--	--	--	--	
Bank overdrafts	7.43	(2,731)	(2,731)	--	--	--	--	--	
		(40,431)	(40,431)	--	--	--	--	--	
<b>2007</b>									
<b>Fixed rate instruments</b>									
Fixed deposits with licensed banks	3.70	240	240	--	--	--	--	--	
<i>Secured</i>									
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>									
<i>Secured</i>									
Term loans	7.25	(41,700)	(41,700)	--	--	--	--	--	
Bank overdrafts	7.82	(5,404)	(5,404)	--	--	--	--	--	
		(47,104)	(47,104)	--	--	--	--	--	

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

### 29. Financial instruments (continued)

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

Company 2008	Average effective interest rate %	Total RM'000	Within 1 year RM'000	1-2 years RM'000		2-3 years RM'000		3-4 years RM'000		4-5 years RM'000		More than 5 years RM'000	
<b>Fixed rate instruments</b>													
Fixed deposits with licensed banks	3.50	249	249	--	--	--	--	--	--	--	--	--	--
<i>Secured</i>													
Term loans	6.17	(41,027)	(15,628)	(5,628)	(5,628)	(5,628)	(5,628)	(5,628)	(5,628)	(5,628)	(5,628)	(2,887)	
Finance lease liabilities	2.38	(1,736)	(668)	(505)	(291)	(272)	--	--	--	--	--	--	--
		(42,514)	(16,047)	(6,133)	(5,919)	(5,900)	(5,628)	(5,628)	(5,628)	(5,628)	(5,628)	(2,887)	
<b>Floating rate instruments</b>													
<i>Secured</i>													
Term loans	7.00	(16,150)	(16,150)	--	--	--	--	--	--	--	--	--	--
Bank overdrafts	7.43	(2,731)	(2,731)	--	--	--	--	--	--	--	--	--	--
		(18,881)	(18,881)	--	--	--	--	--	--	--	--	--	--
<b>2007</b>													
<b>Fixed rate instruments</b>													
Fixed deposits with licensed banks	3.70	240	240	--	--	--	--	--	--	--	--	--	--
<i>Secured</i>													
Term loans	6.06	(46,655)	(15,628)	(5,628)	(5,628)	(5,628)	(5,628)	(5,628)	(5,628)	(5,628)	(5,628)	(8,515)	
Finance lease liabilities	2.85	(2,315)	(771)	(622)	(450)	(236)	--	--	--	--	--	--	--
		(48,730)	(16,159)	(6,250)	(6,078)	(5,864)	(5,864)	(5,864)	(5,864)	(5,864)	(5,864)	(8,515)	
<b>Floating rate instruments</b>													
<i>Secured</i>													
Term loans	7.25	(18,150)	(18,150)	--	--	--	--	--	--	--	--	--	--
Bank overdrafts	7.03	(5,404)	(5,404)	--	--	--	--	--	--	--	--	--	--
		(23,554)	(23,554)	--	--	--	--	--	--	--	--	--	--





## 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	2008		2007	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial liabilities</b>				
Retirement benefits	507,447	507,447	438,385	438,385
Fixed rate term loan	41,027,000	39,660,057	46,655,000	45,083,240
Finance lease liabilities	3,696,084	3,696,084	3,777,960	3,777,960
Crude palm oil swap				
- Liabilities	--	--	--	17,280,373
	<u>45,230,531</u>	<u>43,863,588</u>	<u>50,871,345</u>	<u>66,579,958</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Retirement benefits	507,447	507,447	438,385	438,385
Fixed rate term loan	41,027,000	39,660,057	46,655,000	45,083,240
Finance lease liabilities	1,736,212	1,736,212	2,314,591	2,314,591
Crude palm oil swap				
- Liabilities	--	--	--	17,280,373
	<u>43,270,659</u>	<u>41,903,716</u>	<u>49,407,976</u>	<u>65,116,589</u>

During the last financial 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 commenced in January 2008 and expired in December 2008. The remaining contract commenced in January 2009 and expires on December 2009.

The crude palm oil swap contract for 2009 was terminated on 23 October 2008 at a reference price of RM1,722 per metric ton. This has resulted in a gain of RM3,348,000 recognised in the financial statement for the year ended 31 December 2008. This amount will be receivable on 15 July 2009.

The average strike price for these four contracts was RM2,295 per metric ton and the nominal value of the crude palm oil swap contracts amounted to RM55,080,000.



## 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 Group and of Company are as follows:

	<b>Group/Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
<b>Affiliated companies</b>		
- Rental of premises	12,000	12,000
- Management fees receivable	36,000	36,000
- Sales	557,716	382,056
- Rental receivable	34,884	28,753
- Purchase of air tickets	686,388	196,400
- Transport charges payable	1,554,573	1,347,905
- Purchases	31,609,812	25,118,425
- Transport charges receivable	566,522	481,180
- Bio-organic fertilizer	35,641	57,762
	<u>804,221</u>	<u>710,599</u>
<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>	<u>804,221</u>	<u>710,599</u>



## 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	61,992	31	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	Leasehold	2,124.46 Hectares ("ha")	2070 2072 2074 2079	Oil Palm Plantation & Palm oil mill	40,695	N/A	18.07.2003
Estate Buildings Factory Workshop					1,277 739	1-32 31	
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	Leasehold	2,116.31 ("ha")	2070 2072 2078 2079	Oil Palm Plantation	42,183	N/A	18.07.2003
Estate Buildings					597	1-31	
<b>2. Uniglobal Sdn Bhd</b>							
Uniglobal Estate - CL 115345401 - CL 115378115 District of Lahad Datu, Sabah	Leasehold	2,023 ha 386.80 ha	2077 2084	Oil palm Plantation	29,974	N/A	18.07.2003
Estate Buildings					821	1-11	
<b>3. Masranti Plantation Sdn Bhd</b>							
Lot No 35, TRN.: 708-LCPLS-024-000-00035 Punda-Sabal Land District of Samarahan Division Sarawak	Leasehold	4,474 ha	2061	Oil palm Plantation	23,047	N/A	15.01.2004
Estate Buildings					1,196	1-4	
<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	11,850	N/A	28.11.2006
<b>5. Harn Len Pelita Bngunan</b>							
Estate Buildings					719	1-2	
					<u>215,090</u>		

N/A – Not Applicable

## ANALYSIS OF SHAREHOLDINGS As At 06 MAY 2009

AUTHORISED SHARE CAPITAL	:	RM500,000,000 ordinary shares of RM1-00 each
ISSUED AND FULLY PAID-UP CAPITAL	:	RM185,477,159 divided into 185,477,159 shares
CLASS OF SHARES	:	Ordinary shares of RM1-00 each
NO OF SHAREHOLDERS	:	3,884
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	-	-	128,467,108 <sup>*1</sup>	69.26
2.	Puan Sri Datin Chan Pui Leorn	500,000	0.27	127,967,108 <sup>*2</sup>	68.99
3.	Dato Liew Kuek Hin	-	-	114,507,245 <sup>*3</sup>	
4.	Low Quek Kiong	20,000	0.01	128,447,108 <sup>*4</sup>	69.25
5.	Low Kueck Shin	-	-	128,467,108 <sup>*1</sup>	69.26
6.	Low Kwek Lee	-	-	128,467,108 <sup>*1</sup>	69.26
7.	Low Kuek Kong	-	-	128,467,108 <sup>*1</sup>	69.26
8.	Low Kuit Son	-	-	128,467,108 <sup>*1</sup>	69.26
9.	Low Kok Yong	358,200	0.19	128,108,908 <sup>*5</sup>	69.07
10.	Low Kok Yaow	80,000	0.04	128,387,108 <sup>*6</sup>	69.22
11.	Low Siew Eng	100,000	0.05	128,367,108 <sup>*7</sup>	69.21
12.	Low Nam Hui United Holdings Sdn Bhd	46,286,679	24.96	-	-
13.	LNH (C&E) Sdn Bhd	-	-	11,571,670 <sup>*8</sup>	6.24
14.	Low Nam Hui & Sons Sdn Bhd	11,571,670	6.24	-	-
15.	LNH Enterprise Sdn Bhd	47,808,896	25.78	16,706,863 <sup>*9</sup>	9.01
16.	Seri Cemerlang Plantation (Pahang) Sdn Bhd	16,706,863	9.01	-	-

#### Notes:-

- \*1 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong, Low Kok Yaow and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*2 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares and the shares held by her immediate family members Low Quek Kiong, Low Kok Yong, Low Kok Yaow and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*3 Deemed interested in the shares held by Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Yong Yaow Properties 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 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Kok Yong, Low Kok Yaow and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*5 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yaow and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*6 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*7 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Yong Yaow Properties Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his immediate family members Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Kok Yaow pursuant to Section 6A of the Companies Act, 1965.
- \*8 Deemed interested in the shares held by Low Nam Hui & Sons Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- \*9 Deemed interested in the shares held by Seri Cemerlang Plantation (Pahang) Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.



## ANALYSIS OF SHAREHOLDINGS As At 06 MAY 2009 (Cont'd)

### B) LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct		Deemed interest in shares	
		No of shares	%	No of shares	%
1.	Tan Sri Dato' Low Nam Hui	-	-	128,467,108 <sup>*1</sup>	69.26
2.	Low Quek Kiong	20,000	0.01	128,447,108 <sup>*2</sup>	69.25
3.	Low Kueck Shin	-	-	128,467,108 <sup>*1</sup>	69.26
4.	Low Kwek Lee	-	-	128,467,108 <sup>*1</sup>	69.26
5.	Low Kuek Kong	-	-	128,467,108 <sup>*1</sup>	69.26
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	-	-	-	-

#### Notes:-

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

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

### C) DISTRIBUTION OF SHAREHOLDINGS

	No. of Holders	Holdings	Total Holdings	Percentage (%)
	43	Less than 100	1,285	0.0007
	1,263	100 to 1,000	392,850	0.2118
	1,833	1,001 to 10,000	9,336,207	5.0336
	659	10,001 to 100,000	20,975,930	11.3091
	81	100,001 to less than 5% of issued shares	33,866,779	18.2593
	5	5% and above of issued shares	120,904,108	65.1854
Total:	<u>3,884</u>		<u>185,477,159</u>	<u>100.0000</u>



## ANALYSIS OF SHAREHOLDINGS As At 06 MAY 2009 (Cont'd)

### D) TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Name	No. Of Shares Held	Percentage (%)
1.	LOW NAM HUI UNITED HOLDINGS SDN BHD	46,286,679	24.96
2.	LNH ENTERPRISE SDN BHD	27,808,896	15.00
3.	SCOTIA NOMINEES (TEMPATAN) SDN BHD Pledged securities account for LNH Enterprise Sdn Bhd	20,000,000	10.78
4.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	15,236,863	8.22
5.	LOW NAM HUI & SONS SDN BHD	11,571,670	6.24
6.	YONG YAOW PROPERTIES SDN BHD	5,034,800	2.71
7.	TEOH GUAN KOK & CO. SDN BHD	3,478,400	1.88
8.	TOH LAY FAN	1,696,700	0.91
9.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	1,470,000	0.79
10.	HLG NOMINEE (TEMPATAN) SDN BHD Hong Leong Bank Bhd for Teoh Liang Huat @ Teoh Lea	1,462,700	0.79
11.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Yap Qwee Beng (E-KPG)	1,243,800	0.67
12.	LOH LAI KIM	1,193,700	0.64
13.	TA NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Chor Sek Choon	1,000,000	0.54
14.	HU THAI HUA @ ANDREW POH @ FOU TAI HUA	735,700	0.40
15.	LEE SAN MING @ LEE LAY ENG	660,000	0.36
16.	YEO LAI HUAT	603,800	0.33
17.	KENANGA NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Tee Kim Tee @ Tee Ching Tee	555,000	0.30
18.	BDO CAPITAL CONSULTANTS SDN BHD Exempt An	531,193	0.29
19.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ng Peng Hon	515,100	0.28
20.	CHAN PUI LEORN	500,000	0.27
21.	CHIN HON PUN	465,200	0.25
22.	TAN CHONG LIANG @ THAN CHONG KIM	446,600	0.24
23.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Koay Ean Chim (IMO/TAS)	397,000	0.21
24.	LOW KOK YONG	358,200	0.19
25.	WONG TON YANG	350,700	0.19
26.	TEOH LIANG HUAT @ TEOH LEAN HUAT	341,900	0.18
27.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ng Ching Soong (470478)	328,100	0.18
28.	KOH KIN TONG	315,000	0.17
29.	SOON AH KHUN @ SOON LIAN HUAT	313,500	0.17
30.	HLG NOMINEE (TEMPATAN) SDN BHD Pledged securities account for Teh Ah Huat	300,000	0.16



## 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 Ninth Annual General Meeting of the Company to be held on Friday, the 26th day of June, 2009 at 11:30 a.m. at Meranti Hall, Fourth 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 Quek Kiong		
3.	Re-election of Director - Lee Chon Sing		
4.	Re-election of Director - Loh Wann Yuan		
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		
10.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Low Nam Hui & Sons Sdn Bhd		
11.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Comet Travels Sdn Bhd		
12.	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions with Green Recycle Biotech Enterprise		

(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 \_\_\_\_\_ 2009

\_\_\_\_\_  
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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