



汉联机构有限公司
HARN LEN CORPORATION BHD
200001000001(502606-H)

ANNUAL
REPORT
2020



汉联机构有限公司
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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First (21st) Annual General Meeting (“AGM” or “Meeting”) of Harn Len Corporation Bhd (“Harn Len” or “the Company”) will be held at Merdeka Hall, Ground Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru, Johor, Malaysia on Wednesday, 23 June 2021 at 10.00 a.m. for the following purposes:-

Ordinary Business:-

- | | | |
|----|---|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. | Please refer to Explanatory Note 1 |
| 2. | To approve the payment of Directors’ fees of RM200,000 to Independent Non-Executive Directors for the financial year ended 31 December 2020. | Resolution 1 |
| 3. | To approve the payment of Directors’ benefits payable to the Directors up to RM220,000 for the period 1 July 2021 to 30 June 2022. | Resolution 2 |
| 4. | To re-elect the following Directors who retire in accordance with Clause 76(3) of the Constitution of the Company:-

i) Mr Low Quek Kiong
ii) Mr Low Kueck Shin
iii) Mr Low Kwek Lee
iv) Mr Low Kok Yaow | Resolution 3
Resolution 4
Resolution 5
Resolution 6 |
| 5. | To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration. | Resolution 7 |

SPECIAL BUSINESS:-

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

- | | | |
|-----|--|---------------------|
| 6. | ORDINARY RESOLUTION
- CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS | |
| i) | “THAT approval be and is hereby given to Brig. Jen. (B) Dato’ Ali Bin Hj. Musa who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.” | Resolution 8 |
| ii) | “THAT approval be and is hereby given to Mr Law Piang Woon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.” | Resolution 9 |



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

7. ORDINARY RESOLUTION

Resolution 10

- AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 (“AUTHORITY TO ALLOT SHARES”)

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental / regulatory authorities (if any), the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted during the preceding 12 months does not exceed ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so allotted from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting.”

8. ORDINARY RESOLUTION

Resolution 11

- PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (“PROPOSED RENEWAL OF SHARE BUY-BACK”)

“THAT subject always to the Companies Act 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (a) the aggregate number of issued shares in the Company (“Shares”) purchased (“Purchased Shares”) and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- (b) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

(“Proposed Share Buy-Back”).



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

8. ORDINARY RESOLUTION - PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("PROPOSED RENEWAL OF SHARE BUY-BACK") (cont'd)

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

- i) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or
- iii) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister charged with the responsibility for companies may by order prescribe; and/or
- viii. To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.

9. To transact any other matter for which due notice shall have been given.



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

By Order of the Board
HARN LEN CORPORATION BHD

Fong Siew Kim (MAICSA No. 7022188) SSM Practicing Certificate No. 202008000792
Wendy Mak Mei Ching (MAICSA 7022764) SSM Practicing Certificate No. 201908000065
Yong May Li (LS 0000295) SSM Practicing Certificate No. 202008000285
Wong Chee Yin (MAICSA No. 7023530) SSM Practicing Certificate No. 202008001953

Company Secretaries
Johor Bahru

30 April 2021

Notes:-

1. IMPORTANT NOTICE

The Board of Directors ("Board") is cognisant of the COVID-19 pandemic as declared by the World Health Organisation which, to-date, is still subsisting. The health and safety of the Company's shareholders, Directors, staff and other stakeholders is of paramount concern for the Company. In view of the foregoing, the Company wishes to advise shareholders that necessary steps and measures will be undertaken in holding the 21st AGM.

In view of the COVID-19 pandemic and further to the "Guidance and FAQs on the Conduct of General Meetings for Listed Issuers" issued by the Securities Commission, members/proxies/corporate representatives who wish to attend the 21st AGM in person **ARE REQUIRED TO PRE-REGISTER** with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("Share Registrar", "Tricor", or "TIH"), via the **TIH Online** website at <https://tiah.online> no later than **Monday, 21 June 2021 at 10.00 a.m.** Please follow the Pre-Register Procedures in the Administrative Details for 21st AGM.

2. For the purpose of determining who shall be entitled to attend the 21st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a **Record of Depositors as at 15 June 2021**. Only a member whose name appears on this Record of Depositors shall be entitled to attend the 21st AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.
3. A member entitled to attend and vote at the 21st AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
4. A member of the Company who is entitled to attend and vote at an Annual General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the 21st AGM.
5. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
6. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:- (cont'd)

8. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
9. A member who has appointed a proxy or attorney or corporate representative to attend and vote at the 21st AGM must request his/her proxy or attorney or corporate representative to **PRE-REGISTER** their attendance via **TIIH Online** website at <https://tiih.online> no later than **Monday, 21 June 2021 at 10.00 a.m.** Please follow the Pre-Register Procedures in the Administrative Details for 21st AGM.
10. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 21st AGM or adjourned Meeting at which the person named in the appointment proposes to vote:
 - i) In hard copy form

In the case of an appointment made in hard copy form, this form of proxy must be deposited at the Registered Office of the Company at 6th Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru, Johor, Malaysia.
 - ii) By electronic means via facsimile

In the case of an appointment made by facsimile transmission, this form of proxy must be received via facsimile at 07-3328096.
 - iii) By electronic means via email

In the case of an appointment made via email transmission, this form of proxy must be received via email at is.enquiry@my.tricorglobal.com.

For options (ii) and (iii), the Company may request any member to deposit original executed form of proxy to its Registered Office before or on the day of meeting for verification purpose.

 - iv) By electronic means via TIIH Online

In the case of an appointment made via TIIH Online, this form of proxy can be lodged via **TIIH Online** at <https://tiih.online>. Kindly refer to the Administrative Details on the procedure for electronic lodgement of form of proxy via TIIH Online.
11. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Registered Office of the Company at 6th Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 21st AGM or adjourned Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
12. Please ensure ALL the particulars as required in this form of proxy are completed, signed and dated accordingly.
13. Last date and time for lodging this form of proxy is **Monday, 21 June 2021 at 10.00 a.m.**
14. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
 - a) Identity card (NRIC) (Malaysian), or
 - b) Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
 - c) Passport (Foreigner).



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:- (cont'd)

15. For a corporate member who has appointed an authorised representative instead of a proxy to attend this meeting, please bring the **original or duly certified certificate** of appointment executed in the manner as stated in this form of proxy if this has not been lodged at the Registered Office of the Company earlier. The certificate of appointment of authorised representative should be executed in the following manner:
- a) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the Constitution of the corporate member.
 - b) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - (i) at least two (2) authorised officers, of whom one shall be a director; or
 - (ii) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

Explanatory Notes:-

Ordinary Business:

1. **Item 1 of the Agenda**

This Agenda item is meant for discussion only as the provisions of Sections 248(2) and 340(1) of the Companies Act 2016 does not require a formal approval of the Shareholders. Hence, this Agenda item is not put forward for voting by shareholders of the Company.

2. **Item 3 of the Agenda**
Ordinary Resolution 2

Directors' Benefit for the period 1 July 2021 to 30 June 2022

The total estimated benefit payable comprised of meeting allowance and annual allowance for the Board and Board Committees of the Company for the period 1 July 2021 to 30 June 2022.

Special Business:-

3. **Item 6 of the Agenda**
Ordinary Resolutions 8 and 9
Continuing in office as Independent Non-Executive Directors

The Nominating Committee had assessed the independence of Brig. Jen. (B) Dato' Ali Bin Hj. Musa and Mr Law Piang Woon who have served on the Board as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Brig. Jen. (B) Dato' Ali Bin Hj. Musa and Mr Law Piang Woon as Independent Non-Executive Directors of the Company.

The Resolutions 8 and 9 proposed under Agenda 6(i) and 6(ii), if passed, will allow Brig. Jen. (B) Dato' Ali Bin Hj. Musa and Mr Law Piang Woon to continue to act as Independent Non-Executive Directors of the Company to fulfill the requirements of Paragraph 1.01 of Bursa Securities Main LR and in line with the practice 4.2 of the Malaysian Code on Corporate Governance.

The full details of the Board's justification and recommendations for the retention of the above Directors as Independent Non-Executive Directors are set out in the Corporate Governance Overview Statement in the Annual Report 2020 on page 29.



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes:- (cont'd)

Special Business:- (cont'd)

4. **Item 7 of the Agenda**
Ordinary Resolution 10
Authority to allot shares

The proposed Ordinary Resolution 10 is the renewal of the mandate obtained from the members at the 20th Annual General Meeting held on 28 September 2020. As at the date of this Notice, no new shares were issued pursuant to the last mandate.

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

5. **Item 8 of the Agenda**
Ordinary Resolution 11
Proposed Renewal of Share Buy-Back

This Ordinary Resolution, if passed, will enable the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

The details of this proposed Ordinary Resolution are set out in the Circular to Shareholders of the Company dated 30 April 2021.

STATEMENT ACCOMPANYING NOTICE OF 21ST ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Further details of individuals who are standing for election as Directors (excluding Directors standing for a re-election)

There is no person seeking for election as Director of the Company at the 21st Annual General Meeting.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Puan Sri Datin Chan Pui Leorn	(Deputy Executive Chairman)
Mr Low Quek Kiong	(Managing Director)
Mr Low Kueck Shin	(Deputy Managing Director)
Mr Low Kwek Lee	(Executive Director)
Mr Low Kuek Kong	(Executive Director)
Mr Low Kok Yong	(Executive Director)
Mr Low Kok Yaow	(Executive Director)
Mr Loh Wann Yuan	(Senior Independent Non- Executive Director)
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	(Independent Non-Executive Director)
Mr Law Piang Woon	(Independent Non-Executive Director)
En Mohamed Akwal Bin Sultan Mohamad	(Independent Non-Executive Director)

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

En Mohamed Akwal Bin Sultan Mohamad (Chairman)
Mr Loh Wann Yuan
Brig. Jen. (B) Dato' Ali Bin Hj. Musa

AUDITORS

Messrs Grant Thornton Malaysia PLT Chartered Accountants Unit 28.01, 28 th Floor, Menara Zurich, No. 15, Jalan Dato' Abdullah Tahir, 80300 Johor Bahru, Johor, Malaysia
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EMPLOYEE SHARE SCHEME COMMITTEE

Mr Low Quek Kiong (Chairman)
Mr Law Piang Woon

PRINCIPAL BANKERS

Public Bank Berhad
OCBC Bank (Malaysia) Berhad
Alliance Bank (Malaysia) Berhad
CIMB Bank (Malaysia) Berhad
AmBank Berhad
Maybank Berhad

REGISTERED OFFICE / BUSINESS ADDRESS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad ("Bursa")
Stock Code : Harn Len 7501
Sector : Plantation

SECRETARIES

Fong Siew Kim (MAICSA No. 7022188) SSM Practicing Certificate No. 202008000792
Wendy Mak Mei Ching (MAICSA 7022764) SSM Practicing Certificate No. 201908000065
Yong May Li (LS 0000295) SSM Practicing Certificate No. 202008000285
Wong Chee Yin (MAICSA No. 7023530) SSM Practicing Certificate No. 202008001953

WEBSITE

www.harmlen.com.my
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SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd (11324-H) Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South, No 8 Jalan Kerinchi 59200 Kuala Lumpur, Malaysia Telephone No. : 603-2783 9299 Facsimile No. : 603-2783 9222
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5 YEARS KEY STATISTICS

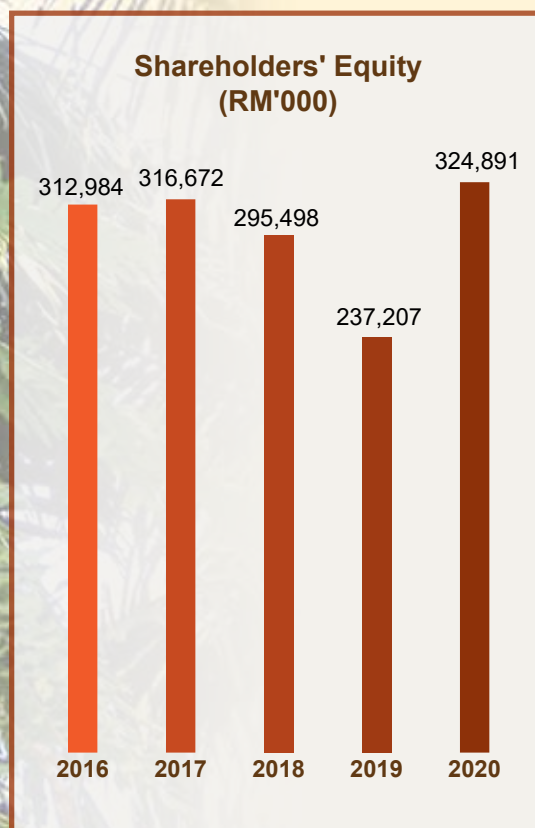
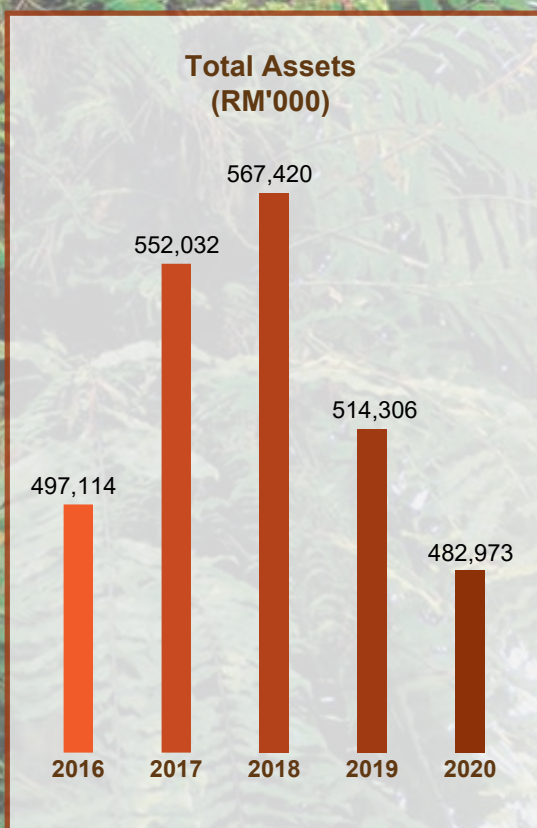
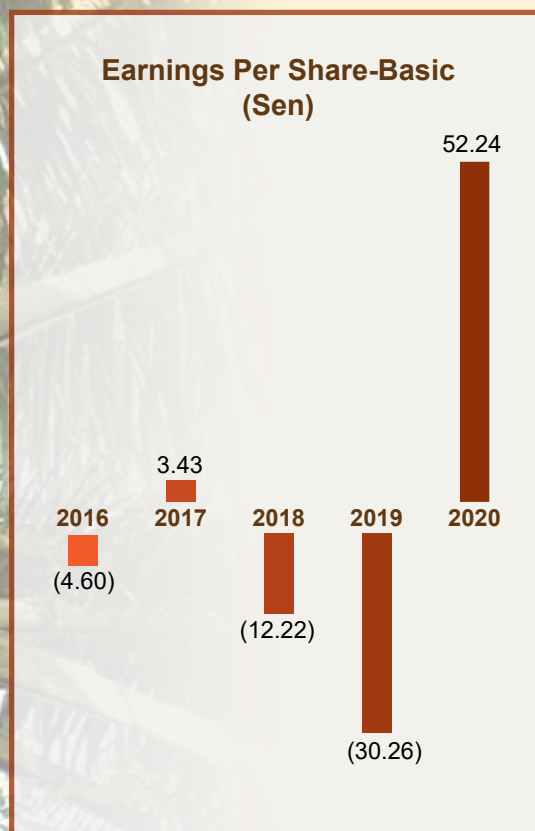
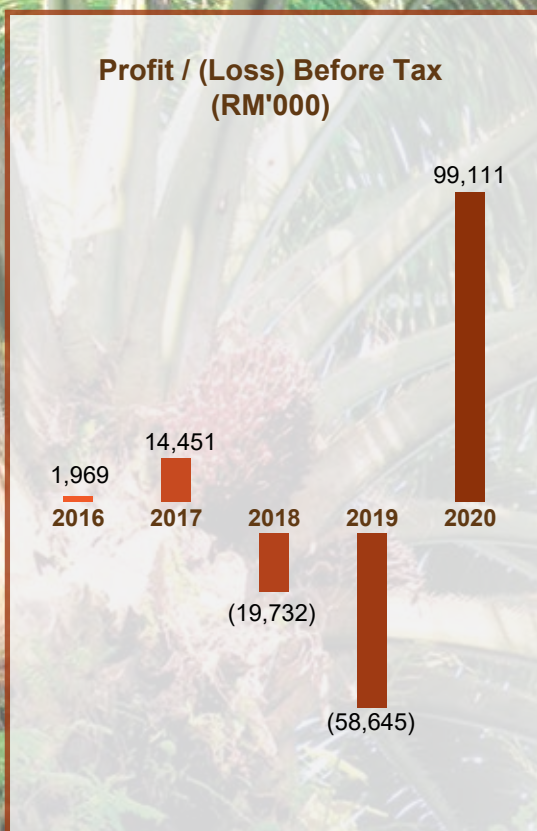
		Year				
		2020	2019	2018	2017	2016
FINANCIAL PERFORMANCE						
Revenue	(RM'000)	121,924	116,901	185,732	326,020	269,556
Profit / (Loss) From Operations	(RM'000)	107,284	(48,653)	(9,284)	21,285	7,155
EBITDA	(RM'000)	127,402	(27,742)	13,335	42,138	27,216
Profit / (Loss) Before Tax	(RM'000)	99,111	(58,645)	(19,732)	14,451	1,969
Taxation (Income)/Expense	(RM'000)	1,007	1,390	2,755	8,054	6,851
Profit / (Loss) After Tax	(RM'000)	98,104	(60,035)	(22,487)	6,397	(4,882)
Net Profit / (Loss) to equity holders	(RM'000)	98,764	(58,291)	(21,172)	6,119	(8,340)
Shareholders' Equity	(RM'000)	324,891	237,207	295,498	316,672	312,984
Total Assets	(RM'000)	482,973	514,306	567,420	552,032	497,114
Total Borrowings	(RM'000)	69,726	97,147	139,413	123,649	112,890
Return on Equity	%	30.40	(24.57)	(7.16)	1.93	(2.66)
PE Ratio (times)		1.40	N/A	N/A	18	N/A
Return on Total Assets	%	20.45	(11.33)	(3.73)	1.11	(1.68)
Gearing Ratios		1:4.66	1:2.44	1:2.12	1:2.56	1: 2.77
Interest Cover (times)		14.70	(2.77)	1.28	6.16	5.23
Nett Debts to shareholders equity	%	21	41	47	39	31
Earnings Per Share-Basic	Sen	52.24	(30.26)	(12.22)	3.43	(4.60)
Net Assets Per Share	RM	1.65	1.30	1.64	1.72	1.69
Gross Dividend per share	Sen	10	-	-	-	-
Gross Dividend yield	%	13.7	-	-	-	-
Share Price at financial year end	Sen	73	58	34	62	80
ESTATES						
<u>Planted area</u>						
Mature	(ha)	15,564	14,269	13,269	11,387	10,855
Immature	(ha)	1,527	2,568	3,814	5,493	6,046
Total Planted Area	(ha)	17,091	16,837	17,083	16,880	16,901
FFB Production	(mt)	114,751	159,811	180,023	182,161	162,277
Yield Per Mature Hectare	(mt/ha)	7.373	11.200	13.5670	15.997	14.949
MILLS						
<u>FFB Processed</u>						
Own FFB	(mt)	86,869	146,246	180,023	182,161	108,055
Outside FFB	(mt)	77,483	75,303	141,889	214,281	324,087
Total	(mt)	164,352	221,549	321,912	396,442	432,142
<u>Production</u>						
Crude Palm Oil	(mt)	33,789	47,102	66,615	79,475	84,471
Palm Kernel	(mt)	7,052	9,521	14,424	17,111	17,914
<u>Extraction Rate</u>						
Crude Palm Oil						
Extraction Rate	(%)	20.56	21.26	20.69	20.05	19.60
Palm Kernel						
Extraction Rate	(%)	4.29	4.3	4.48	4.32	4.70
<u>Average Selling Prices (Nett)</u>						
Crude Palm Oil	(RM/mt)	2,718	2,040	2,257	2,766	2,549
Palm Kernel	(RM/mt)	1,497	1,139	1,706	2,432	2,332
<u>Profile of Trees</u>						
Immature (0-3 years)	Ha	1,527	2,568	3,814	5,493	6,046
Young (4-7 years)	Ha	4,391	3,827	2,808	1,057	3,734
Prime (8-19 years)	Ha	11,173	10,442	10,461	10,247	6,813
Past Prime (> 20 years)	Ha	0	0	0	83	308

Abbreviations :

EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation

Ha - Hectare

mt - Metric ton





DEPUTY CHAIRMAN'S STATEMENT



Dear valued shareholders,

On behalf of the Board of Directors ("the Board"), I proudly present you the Annual Report and Audited Financial Statements of Harn Len Corporation Bhd ("Harn Len" or "the Group") for the financial year ended 31 December 2020 ("FYE2020").

Fraught with uncertainties, 2020 was a very challenging year mainly due to the onslaught of the coronavirus disease 2019 ("COVID-19") that has shocked the world economic structure. With the continuous reporting of positive cases of infection, the economic ecosystem will persist to be disrupted.

Nonetheless, the government has taken proactive measures to curb the spread by implementing the Movement Control Order ("MCO") and several stimulus packages in an attempt to revitalise the economy. Subsequently, Bank Negara Malaysia ("BNM") has lowered the overnight policy rate to 1.75% to help the economy recover from the impact of the COVID-19 pandemic.

Financial Performance

In the financial year under review, Harn Len reported a higher revenue of RM121.9 million, registering an increase of 4.3% as compared to the preceding year's RM116.9 million. The Group reported a profit before tax of RM99.1 million as compared to its corresponding year's loss before tax of RM58.6 million.

Harn Len's principal activities are in the cultivation of oil palm plantations, operation of palm oil mill, provision of plantation development services, palm oil estate and plantation management, investment holding, real property investment and operation of a food and beverage outlet. The Group's revenue contribution from its plantation segment amounted to 97.5% of the total revenue, followed by their property and other segments of 2.5%.

Corporate Developments

On 15 January 2020, the Group offered 4,943,000 options over new shares and 4,633,000 Share Grant to employees and directors of Harn Len and its subsidiaries under its Employees' Share Scheme.

On 14 July 2020, the Group completed the proposed private placement of 7 million shares, representing 4% of the total number of issued shares of Harn Len, raising total proceeds of RM2.8 million.

On 24 August 2020, the Group completed the disposal of Lian Hup Estate and Lian Hup Oil Mill, measuring approximately 2,124.5 hectares of plantation assets for a disposal consideration of RM183.0 million.

On 28 October 2020, the Group paid a special dividend of 10 sen per ordinary share in Harn Len, which was funded by part of the proceeds from the disposal of Lian Hup Estate and Lian Hup Oil Mill.



DEPUTY CHAIRMAN'S STATEMENT (cont'd)

Industry Prospects and Economic Outlook

Malaysia's economic recovery in 2021 is expected to be gradual with growth partly driven by a low-base effect from 2020. Following an estimated contraction of 5.8% in 2020, the World Bank is projecting the Malaysian economy to grow by 6.0% in 2021. The improvement is backed by the roll-out of vaccination programmes, gradual improvement in exports as well as increase in consumption and investment.

In addition, with the aid from the Malaysian Government and BNM such as the implementation of several fiscal stimulus packages, alongside monetary and financial measures, this will underpin the improving economic outlook.

The palm oil industry outlook remains optimistic as businesses resumed, improved production by producers as well as higher consumption in traditional markets. Crude palm oil ("CPO") price is expected to remain elevated in the first half of 2021 due to tight supply-demand dynamics, but to moderate in second half of 2021.

In April 2021, CPO price has breached above RM4,200 per tonne, the highest level recorded since March 2011. The strong momentum was backed by various factors, namely shortfall of palm oil production, stockpiling activities from China, shortfall of rival oils' production, Malaysia's palm oil export duty exemption as well as La Niña weather.

Malaysian CPO export to India in 2021 is expected to remain strong as India's duty reduction of CPO by 10 percentage points to 27.5% is deemed favourable. On the other hand, China is consuming more good quality vegetable oils and reducing the consumption of animal fats.

Appreciation

On behalf of the Board of Directors, I would like to extend my deepest gratitude to our clients, business partners, associates, bankers, shareholders and the respective regulatory authorities for their valued contribution to the Group's success. I would also like to express my appreciation to the management and staff of Harn Len for their determined hard work and commitment towards the Group. Last but not least, I would like to thank my fellow Board members for their sound advices and able stewardship of the Group.

PUAN SRI DATIN CHAN PUI LEORN

Deputy Executive Chairman

30 April 2021.





PROFILE OF DIRECTORS



**PUAN SRI DATIN
CHAN PUI LEORN**

NON-INDEPENDENT,
EXECUTIVE

Puan Sri Datin Chan Pui Leorn (Puan Sri Datin Chan), aged 62, Malaysian Female, was appointed to the Board of Harn Len as an Executive Director on 1 March 2011. On 1 January 2015, Puan Sri Datin Chan was appointed the Deputy Executive Chairman of the Harn Len.

Puan Sri Datin Chan was a Manager of Ulu Tiram Transport Company and Lama Trading Company from 1978 and 1983. She has vast experience in the transportation and logistics business, property management, administrative work and corporate planning.

Besides her executive position in Harn Len, Puan Sri Datin Chan is a Member of the Commerce Committee and International Trade and Industry Committee of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM). She is also the Honorary Advisor of Persatuan Tiong-Hua Johor Bahru and a Council Member of Chinese Overseas Exchange Association.

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

Puan Sri Datin Chan is an immediate family member of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Puan Sri Datin Chan is a substantial shareholder of the Company by virtue of her direct and indirect interest in shareholdings held by her family-owned companies. She is deemed interested in related party transactions carried out in the ordinary course of business between the Company and her family-owned companies which details are found in Note 29 of the Financial Statements.



LOW QUEK KIONG

NON-INDEPENDENT,
EXECUTIVE

Low Quek Kiong ("Low QK"), aged 69, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low QK was appointed Managing Director of Harn Len on 1 January, 2015.

He joined his family-owned business which have major interest in logging, transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations, property development and hotel operations after completing his education in the early 1970s and has gained invaluable business experience.

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

Mr Low QK is an immediate family member of Puan Sri Datin Chan, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Mr Low QK is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 29 of the Financial Statements.



PROFILE OF DIRECTORS (cont'd)



LOW KUECK SHIN

NON-INDEPENDENT,
EXECUTIVE

Low Kueck Shin, KMN (“Low KS”), aged 64, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low KS was appointed the Deputy Managing Director of Harn Len on 1 January 2015.

Mr Low KS obtained his Higher National Diploma in Business Studies from Croydon Technical College, London, England. He has more than 30 years’ experience in managing oil palm plantations and palm oil mill operations.

Besides his involvement in Harn Len, Mr Low KS is the President of Johor Bahru Chinese Chamber of Commerce and Chairman of Agriculture Committee of Johor Associated Chinese Chambers of Commerce and Industry.

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

Mr Low KS is an immediate family member of Puan Sri Datin Chan, Mr Low Quek Kiong, Mr Low Kwek Lee, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Mr Low KS is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 29 of the Financial Statements.



LOW KWEK LEE

NON-INDEPENDENT,
EXECUTIVE

Mr Low Kwek Lee (“KL Low”), aged 62, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003.

Mr KL Low obtained his Higher National Diploma in Business Studies from Brighton Technical College, Brighton, England in 1980. He was an associate member of Institut Pengurusan Malaysia (MIM) since 1991 and admitted as an ordinary member on 14 August, 2014. He joined his family-owned diversified business with major interests in logging, transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations and hotel operations after completing his education.

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

Mr KL Low is an immediate family member of Puan Sri Datin Chan, Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Mr KL Low is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 29 of the Financial Statements.



PROFILE OF DIRECTORS (cont'd)



LOW KUEK KONG

NON-INDEPENDENT,
EXECUTIVE

Low Kuek Kong ("Low KK"), aged 54, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low KK graduated with a Bachelor of Economics in 1993. Prior to joining his family-owned transportation business in 1996, he was a Production Manager in an electronics firm.

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

Mr Low KK is an immediate family member of Puan Sri Datin Chan, Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Mr Low KK is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 29 of the Financial Statements.



LOH WANN YUAN

SENIOR INDEPENDENT,
NON- EXECUTIVE

Loh Wann Yuan, aged 52, a Malaysian Male, was appointed to the Board of Harn Len on 15 April 2002. Mr Loh is the Chairman of Audit Committee and Nomination Committee and also sits on the Remuneration Committee. He was appointed as a Senior Independent Director on 27 August 2009.

Mr Loh graduated from University of London with a Bachelor of Law Degree and Masters in Law. He was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1994 with experience in commercial, corporate, banking and property laws for more than 25 years.

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

Mr Loh is not related to any director or substantial shareholder of Harn Len and does not have any conflict of interest in any business arrangement involving the Company.



PROFILE OF DIRECTORS (cont'd)



**BRIG. JEN. (B)
DATO' ALI BIN
HJ MUSA**

INDEPENDENT,
NON-EXECUTIVE

Brig. Jen. (B) Dato' Ali Bin Hj Musa ("Dato' Ali"), aged 78, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003. Dato' Ali is a member of the Remuneration Committee, Audit Committee and Nomination Committee .

Dato' Ali was an officer in the Malaysian Armed Forces until his retirement in July 1997. During his service as Brigadier General he commanded an infantry Brigade in Kelantan.

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

Dato' Ali is not related to any director or substantial shareholder of Harn Len and does not have any conflict of interest in any business arrangement involving the Company.



LAW PIANG WOON

INDEPENDENT,
NON-EXECUTIVE

Law Piang Woon, aged 79, a Malaysian Male, was appointed to the Board of Harn Len on 5 August 2003. He is currently a member of the Audit Committee and Nomination Committee.

He holds a Bachelor of Commerce (Accountancy) Degree and is currently practicing as a Public Accountant. Apart from his qualification as a Chartered Accountant of Malaysia, he holds various qualifications including Certified Public Accountant (Australia), Chartered Accountant of Singapore, Fellow of Chartered Tax Institute of Malaysia (FCTIM) and Fellow of the Association of Chartered Certified Accountants (FCCA).

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

He is not related to any director or substantial shareholder of Harn Len and does not have any conflict of interest in any business arrangement involving the Company.



PROFILE OF DIRECTORS (cont'd)



**MOHAMED
AKWAL SULTAN
MOHAMAD**

INDEPENDENT,
NON-EXECUTIVE

Mohamed Akwal Sultan Mohamad (En Akwal), aged 67, a Malaysian Male, was appointed to the Board of Harn Len as an Independent Non-Executive Director on 28 March 2014. He is the Chairman of the Remuneration Committee and also sits on the Audit Committee and Nomination Committee.

En Akwal holds a Bachelor of Business Administration and a Diploma in Food Technology. He has more than 30 years' experience in the financial sector with significant experience in debt resolution. His extensive experience includes corporate banking, debt recovery, SME Lending, debt management and providing advisory services to companies. He was previously the Chief Executive Officer of the Credit Counselling and Debt Management Agency (AKPK). Currently he is the Managing Director of My Tech Division Sdn Bhd, a company involved in one stop HR Solutions, Software Development and IT Solutions.

Apart from his directorship in the Company, he is also an Independent Non-Executive Chairman of Eastland Equity Bhd, a company listed on the Main Board.

He is not related to any director or substantial shareholder of Harn Len and does not have any conflict of interest in any business arrangement involving the Company.



LOW KOK YONG

NON-INDEPENDENT,
EXECUTIVE

Low Kok Yong ("Low KY"), aged 35, a Malaysian Male, was appointed to the Board of Harn Len as an Executive Director on 1 January 2014. He attended Cambridge Tutors College, South Croydon, England for his A-levels. He joined Harn Len on 1 September 2005 as a Management Trainee and was subsequently promoted to Head of Business Development in 2010.

Besides his involvement in Harn Len, Mr Low KY is a Committee Member of the Youth Committee of the All China Federation Member of Returned Overseas Chinese and a Committee Member of the Youth Divisions for both Malaysia-China Chamber of Commerce and Johor Associated Chinese Chamber of Commerce and Industry. In addition, he is also a Council Member of the Johor Bahru Chinese Chamber of Commerce and Industry and a Committee Member of its Youth Division.

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

Mr Low KY is an immediate family member of Puan Sri Datin Chan, Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong and Mr Low Kok Yaow who are all directors of the Company. Mr Low KY is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 29 of the Financial Statements.



PROFILE OF DIRECTORS (cont'd)



LOW KOK YAOW

NON-INDEPENDENT,
EXECUTIVE

Low Kok Yaow ("Low KYw"), aged 32, a Malaysian Male, was appointed to the Board of Harn Len as an Executive Director on 1 January 2015. Mr Low KYw holds a Bachelor of Business & Commerce from Monash University, Melbourne, Australia. He joined Harn Len on 1 August 2011 as a Business Development Manager and was subsequently promoted to Head of Business Development of 1 January, 2014.

Besides his involvement in Harn Len, Mr Low KYw is a Member of the Youth Committee of All China Federation of Returned Overseas Chinese and a Council Member of the Henan Province Overseas Friendship Association.

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

Mr Low KYw is an immediate family member of Puan Sri Datin Chan and the sibling of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong and Mr Low Kok Yong who are all directors of the Company. Mr Low KYw is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 29 of the Financial Statements.

CONVICTION OF OFFENCE

None of the Directors of the Company has been convicted of any offence within the past 5 (five) years other than traffic offences.



KEY MANAGEMENT OFFICERS



LOW YEW YERN

CHIEF FINANCIAL
OFFICER

Low Yew Yern, 42, Malaysian Male, graduated from University of London with a Degree in Economics in 1999 and Masters in Economics in 2001. Mr Low has been the Chief Financial Officer of the Company since July, 2003.

Prior to joining the Company, he was working at his family owned business which has vast business interest in the plantation, oil milling and hospitality industries and property investment.

He does not hold any directorship in public and listed companies in Malaysia.

He is the son of Mr Low Quek Kiong and his other immediate family members are Puan Sri Chan Pui Leorn, Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow, who are all Directors of the Company and is related to the major shareholders of the Company. By virtue of his direct interest and relationship with the directors and major shareholders of the Company, he is deemed interested in related party transactions carried out in the ordinary course of the Company between the Company and his family owned companies which details are found in Note 29 of the Financial Statements.

He has not been convicted of any offences within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies for the financial year ended 31 December, 2020.



MDM LAI NYUK FAH

GENERAL MANAGER,
SARAWAK OPERATIONS

Mdm Lai Nyuk Fah, 61, Malaysian Female, holds an Executive Master in Business & Industrial Management from Asia e University. She has been the General Manager of the Sarawak operations since 1 October, 2013.

Mdm Lai was a marketing manager and director of a Company which markets labels from 1979 to 2003. She joined Masranti Plantation Sdn Bhd, a wholly owned subsidiary of Harn Len in July 2003 as an Administrative General Manager and was promoted to her current position.

She does not hold any directorship in public and listed companies in Malaysia and is not related to any director or major shareholder of the Company.

She does not have any conflict of interest with the Company and has not been convicted of any offences within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies for the financial year ended 31 December, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

Year 2020 in Review

The financial year ended 31 December 2020 (“FY2020”) was a challenging year for most businesses around the world and, likewise, for Harn Len Corporation Berhad (“Harn Len” or “the Group”) and its group of subsidiaries (“Harn Len Group”). Nonetheless, the Group is pleased to report a profit of RM98.1 million for FY2020, contributed by higher crude palm oil (“CPO”) and palm kernel (“PK”) prices as well as the completion of the disposal of Lian Hup Estate and Lian Hup Oil Mill (“LH Disposal”). The implementation of its Strategic Turnaround Plan continued in FY2020, focusing its resources on the Group’s core business and optimising cost and performance.

This Management Discussion and Analysis Statement (“Statement”) provides a discussion and analysis of the Group’s business, operations, and performance during FY2020.

Summary and Overview of Harn Len Group

The Group’s principal business segments comprise of the Plantation and Property and Others, with their business activities set out below:

Business Segments	Details and locations of segmental activities/operations
Plantation	The operation of oil palm estates, oil palm mill, sales and purchases of Fresh Fruit Bunches (“FFB”), sales and trading of CPO and PK and the provision of plantation development contract services to related parties and external customers in Pahang and Sarawak.
Property and Others	Property investment in land, commercial and industrial buildings in Johor and Sarawak where rental is the main source of income. Other business includes operation of a food and beverage outlet.

2020 Financial Highlights

The Group’s revenue and results before tax, including segmental operating results, for the financial year under review and the preceding year are summarised as follows:

	FY2020 (RM’000)	FY2019 (RM’000)	Change
Group revenue	121,924	116,901	4.3%
Segment results (revenue)			
• Plantation	118,923	113,714	4.6%
• Property and Others	3,001	3,187	(5.8%)
Group profit (loss) before taxation	99,111	(58,645)	269%
Segmental results (EBITDA)			
• Plantation	139,794	(20,189)	792%
• Property and Others	(5,592)	(1,862)	(200%)
Profit/(loss) from Segmental Operations	134,202	(22,051)	709%

For FY2020, the Group recorded a revenue of RM121.9 million, an increase of 4.3% compared to the RM116.9 million recorded in FY2019. The increase is mainly attributable to rising CPO and PK prices which resulted in higher full year average prices in FY2020, compared to FY2019. The Group reported a profit before tax of RM99.1 million, contributed by higher CPO and PK prices and gain from the LH Disposal, compared to a loss before tax of RM58.6 million in FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (cont'd)

2020 Financial Highlights (cont'd)

The Group's net asset position improved by 38.8% to RM311.6 million in FY2020 compared to RM224.5 million in FY2019, mainly contributed by stronger net cash position from the LH Disposal and subsequent paring down of loans and borrowings as well as other payables.

Net cash generated from/ (used in)	FY2020 (RM'000)	FY2019 (RM'000)	Change
Operating activities	(84,520)	17,402	
Investing activities	172,599	13,162	
Financing activities	(53,768)	(30,389)	
Cash and cash equivalents	35,543	1,232	34,311 (+2785%)

Cash and cash equivalents of the Group increased significantly by RM34.3 million to RM35.5 million as at 31 December 2020, compared to RM1.2 million as at 31 December 2019.

Key movements in cash and cash equivalent are summarised as follows:

- cash flow from investing activities significantly improved due to collection of proceeds from the sale of the Group's assets, including from LH Disposal, on top of rationalisation of capital expenditure;
- higher utilisation of cash in operating activities to reduce trade and non-trade payables while collection of trade and non-trade receivables also improved;
- higher utilisation of cash in financing activities for payment of special dividend and in reducing bank loans and borrowings; and
- proceeds arising from a private placement which was completed on 14 July 2020.

Key indicators	31 December 2020	31 December 2019	Change
Shareholders' Equity (RM'000)	324,891	237,207	37%
Total Assets (RM'000)	482,973	514,306	(6.1%)
Borrowings (current and long-term) (RM'000)	69,726	97,147	(28.2%)
Gearing (Debt/Equity)	0.21	0.41	(48.8%)

As at 31 December 2020, shareholders' equity increased by 37% to RM324.9 million, from RM237.2 million in the previous year. After paring down borrowings by RM27.4 million, borrowings stood at RM69.7 million as at the financial year end, while gearing improved to 0.21 from 0.41 in the previous year. The Group continues to maintain a prudent and cautious approach in managing its capital resources to meet operational requirements and capital expenditure from time to time.

Segment results and analysis

Plantation

Plantation Segment is the Group's core business segment which contributes 97.5% of the Group's revenue. Primarily located in Pahang and Sarawak, the Plantation Segment operates more than 15,000 ha of oil palm estates, a palm oil mill and also involved in the business of providing plantation development contract services. The LH Disposal, which involved the sale of the 2,124.5 ha Lian Hup Estate, together with the Lian Hup Mill, for RM183.0 million was completed in August 2020.



MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (cont'd)

Segment results and analysis (cont'd)

Plantation (cont'd)

In FY2020, the Plantation Segment recorded RM118.9 million in revenue, a 4.6% increase from the preceding year, from increasing CPO and PK prices, cushioning the effects of lower production volume for both CPO and PK which amounted to 33,789MT (decrease of 28.3% compared to 47,102MT in FY2019) and 7,052MT (decrease of 25.9% compared to 9,521MT in FY2019), respectively, mainly due to lower FFB production and mill capacity after the LH Disposal. In FY2020, Oil Extraction Rate (for CPO) and Kernel Extraction Rate (for PK) were 20.56% and 4.29%, respectively, compared to 21.26% and 4.30%, respectively, in FY2019. One of the key factors which caused the lower extraction rates was the disruption to the labour supply, which was further compounded by the effects of COVID-19 and movement control orders (“MCOs”).

The production indicators, quarterly average selling prices of CPO and PK, and other key indicators of the plantation operations during FY2020, compared to previous years are as follows:

Yield Performance	FFB Production (MT)	Yield Per Mature Hectare (MT)	FFB Processed (including outside purchases) (MT)	Production in MT		Selling Price (RM per MT)	
				CPO	PK	CPO	PK
FY2020	114,751	7.37	164,352	33,789	7,052	2,718	1,497
FY2019	159,811	11.20	221,549	47,102	9,521	2,040	1,139
FY2018	180,023	13.57	321,912	66,615	14,424	2,257	1,706
FY2017	182,161	16.00	396,442	79,475	17,111	2,766	2,432

Average Selling Price (RM per MT)	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
CPO	2,690	1,889	2,272	1,938	2,670	1,991	3,095	2,248
PK	1,566	1,207	1,259	1,052	1,330	1,075	1,783	1,177

Extraction Rates (%)	FY2020	FY2019	FY2018	FY2017
Oil Extraction Rate (for CPO)	20.56	21.26	20.69	20.05
Kernel Extraction Rate (for PK)	4.29	4.30	4.48	4.32

EBITDA turned positive at RM139.8 million as the Group's cost management and productivity boost strategies helped to improve performance. Overall, profit before tax was recorded at RM114.3 million mainly from increasing CPO and PK prices and income from the LH Disposal.

Despite higher oil prices and other management efforts, workers shortage which is an industry issue remained to weigh down production. The COVID-19 pandemic and relevant government rules and regulations, including various stages of MCOs further exacerbated the situation throughout FY2020. While ensuring relevant COVID-19 prevention standard operating measures prescribed by the federal and state governments were complied with, the Group deployed carefully planned strategies to focus its manpower on prioritised operations in pursuit of optimised operational efficiency, yield, oil extraction rates and mill utilisation.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (cont'd)

Segment results and analysis (cont'd)

Plantation (cont'd)

As at 31 December 2020, the Group's total planted areas was higher at 17,091 Hectares, due to the completion of planting in some land developed earlier in Sarawak. Total area of mature oil palms stood at 15,564 Hectares while intensified harvesting plans have been scheduled in 2021, in view of the higher palm oil prices. The maturity profile of planted areas and their associated yield performance are set out below:

Profile of maturity	Hectares		Total
	Mature (4 years and beyond)	Immature (0-3 years)	
2020	15,564	1,527	17,091
2019	14,269	2,568	16,837
2018	13,269	3,814	17,083
2017	11,387	5,493	16,880

Property and Others

This segment mainly derives its revenue from rental by letting out the Group's commercial and industrial properties, which include the Group's main building, Johor Tower. During the financial year under review, the overall rental market remained soft against the backdrop of the pandemic and various MCOs. Segmental revenue was recorded at RM3.0 million or 2.5% of the Group's revenue, which is lower by 5.8% compared to FY2019. The segment reported an EBITDA loss of RM5.59 million due to the subdued rental market.

The key performance indicators of the division for the financial year are as follows:

	The Group's Properties with lettable area in square feet	Average rental rate (RM per square foot)
FY2020	359,308	0.78
FY2019	116,272	2.00
FY2018	79,400	2.36
FY2017	88,021	2.23

Risk Management and Key Measures Taken

The Board of Directors ("Board") and Management set and implement the Group's business strategies taking into consideration relevant business risks including, but not limited to, strategic, operational, and sustainability risks. Through the Enterprise Risk Management Committee, the Audit Committee and the Board, the Group identifies, assesses, and monitors the management of key risks identified. These key risks include liquidity, manpower requirements in the Plantation Segment, and rationalisation of costs to optimise operational efficiency and be able to sustain softer market conditions. As the COVID-19 pandemic emerged as additional challenge to the Group's operations and the implementation of the Strategic Turnaround Plan, the Group has incorporated such considerations in the business strategies and implementation. Thus far, the Group's focus on its strategic priorities has strengthened its financial position and ongoing initiatives have been and are being undertaken to rationalise operating costs and spur productivity.

Dividend Policy

The Group does not have a policy on dividend pay-out. In view of the current market and economic conditions, the need to conserve funding for working capital and capital expenditure remains to be a key strategy of the Group. Hence, the Board does not recommend payment of any dividend for the financial year ended 31 December 2020.

Nonetheless, the Board declared a special dividend of RM0.10 to reward its shareholders from the LH Disposal.



MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (cont'd)

Outlook and Prospects

The impact of the COVID-19 pandemic continues to haunt the market and livelihood of economic and social communities around the world. Malaysia's economy fell into recession in 2020 with an economic contraction of 5.6% mainly attributable to the various MCOs. As we head into 2021, various degrees of MCOs continue to be imposed in different areas within the country. Globally, while vaccination programmes are being rolled out across countries, emergence of new variants of the virus continue to cast doubts over how quickly the pandemic can be contained. In short, while there are hopes of global economic recovery in 2021, there are also great uncertainties. While palm oil prices rose throughout most parts of 2020, high volatility remains to be present. Demand for edible oil globally may be affected by the pace of recovery and it can be adversely impacted if countries reinstate lockdown measures amid new variants of COVID-19.

Against this backdrop, the Board adopts a cautious stance towards the overall market condition while continue to undertake prudent and vigilant approach to strengthen the fundamentals of the Group's operations through cost rationalisation and performance optimisation measures.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Harn Len Corporation Berhad (“Company”) is mindful of the importance of adopting holistic governance standards in the Company to safeguard the interest of its shareholders and other stakeholders as well as the assets of the Group, comprising the Company and all its subsidiaries. In applying corporate governance practices, the Board believes that such practices should address and reflect transparency, accountability, ethical culture, sustainability, and financial performance within the Group’s operations and activities.

Accordingly, the Board adopts a governance culture aimed at delivering a balance between conformance requirements with the need to deliver long-term strategic imperatives through performance, without compromising on personal or corporate ethics and integrity.

The Board is aware of the growing expectations from regulators and stakeholders for proper governance and, accordingly, has taken the necessary measures to embed a high level of governance throughout the Group with reference to the Malaysian Code on Corporate Governance (“MCCG”).

This Statement, which is issued pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Securities Malaysian Berhad (“Bursa Securities”), provides an overview of the Company’s application of the Principles set out in the MCCG for the financial year under review. The details on how the Company has applied each Practice as set out in the MCCG are disclosed in the Corporate Governance Report, which is available for viewing on the Company’s website at www.harnlen.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board, which is collectively responsible to the Company’s shareholders and other stakeholders for the long-term success of the Group, is led by experienced and knowledgeable Directors who provide the Company with the core competencies and leadership necessary to realise the business objectives and strategic goals of the Group.

The Directors are aware of their responsibility to take decisions objectively to promote the success of the Group for the benefits of shareholders. The roles and responsibilities of the Board, which are summarised as follows, are delineated in the Board Charter on the Company’s website at www.harnlen.com.my:

- reviewing and adopting a strategic plan for the Company and its subsidiaries to achieve corporate goals;
- overseeing the conduct of the Group’s business by reviewing the financial and other performance of the Group as well as Management;
- identifying principal business risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- promoting good governance culture which reinforces ethical, prudent, honesty, integrity, and professional conduct;
- overseeing the development and implementation of a shareholder communications policy for the Company and overseeing stakeholder communications; and
- reviewing the adequacy and operating effectiveness of the Group’s internal control system.

The commitments, roles, and responsibilities of individual Directors, which are in line with the Companies Act 2016, are also clearly stipulated in the Board Charter.

The Board Charter, which was last revised on 27 February, 2020 is periodically reviewed and updated in line with changes to regulatory requirements, with the Board’s approval.

To assist in discharging its stewardship role, the Board has conferred some of its authority and powers to its Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee (“Board Committees”). Such powers are set out in the terms of reference of the Committees concerned to oversee specific aspects of the Company’s affairs and to report to the Board their findings and recommendations. The decision whether to act on such recommendation lies with the Board. The specific terms of reference of each of the Committees are available on the Company’s website at www.harnlen.com.my.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Puan Sri Datin Chan Pui Leorn, the Deputy Executive Chairman (“DEC”), who has been appointed to chair Board Meetings, is primarily responsible in leading the Board and, pursuant to the Board Charter, her responsibilities encompass the following:

- leading the Board in its responsibilities over the business and affairs of the Company and its oversight of Management;
- overseeing the Board in the effective discharge of its stewardship role;
- the efficient organisation and conduct of the Board’s function and meetings;
- facilitating the effective contribution of all Directors and encouraging dissenting views to be freely expressed;
- briefing all Directors in relation to issues arising at meeting;
- promoting constructive and respectful relations amongst Board members and between the Board and Management; and
- ensuring periodic evaluation of the Board’s performance.

In carrying out her role, the DEC works with the Group Managing Director (“GMD”), manages the Board, and promotes effective relations with shareholders and other stakeholders of the Company.

The day-to-day management of the Group’s business development and operations, including implementation of policies and decisions of the Board, is helmed by the GMD, assisted by fellow Executive Directors. The GMD acts as a conduit between the Board and the Management in the effective management of the Company in accordance with the approved strategic plan.

The Board includes Independent Non-Executive Directors (“INEDs”) who are individuals of calibre, credibility, and are free from any business or other relationship which may materially interfere with their exercise of independent judgement to ensure fair and objective deliberations at meetings of the Board and Board Committees.

For transparency and accountability, the Board has established clear functions reserved for itself and those delegated to Management. Accordingly, there is a formal schedule of matters solely reserved to the Board for its deliberation and decision. Key matters reserved for the Board include the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring the Group’s financial and operating performance. Such delineation of roles is clearly articulated in the Board Charter, which serves as a reference for Board activities.

The Company has formalised a Code of Ethics and Conduct for its Directors and employees which sets the acceptable ethical standards for the Group, including dealing with conflict of interest situations, safeguarding Group information and assets, anti-money laundering, prohibition against corruption and unethical practices, and setting out guidelines for situation where gifts, meals, and entertainment may be provided or received. The Code of Ethics and Conduct is available on the Company’s website at www.harnlen.com.my.

In 2020, in line with the latest amendments to the Malaysian Anti-Corruption Commission (“MACC”) Act 2009 and guided by the Guidelines on Adequate Procedures Pursuant to Subsection (5) of Section 17A under the MACC Act 2009, the Board has approved the Group’s Anti-Bribery and Corruption (“ABC”) Policy which sets out the Group’s zero-tolerance policy against all forms of bribery and corruption. The ABC Policy prohibits corruption and bribery activities by all the Group’s personnel, business associates, and requires violations to be reported to the Group.

The Board also has established whistleblowing policies and procedures for employees and other stakeholders to raise concerns in good faith, without fear of reprisal, about actual or suspected financial misreporting, breaches of regulatory requirements, malpractices, and unethical business conduct within the Group. These policies and procedures are formalised via the Whistleblowing Policy, which is available on the Company’s website at www.harnlen.com.my. The Audit Committee has an authority over the effectiveness of the Whistleblowing Policy, providing strong objectivity and independence to the process. The Whistleblowing Policy was last revised by the Board on 27 February 2020.

The Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries, published by the Securities Commission Malaysia (“SC Guidelines”) in July 2020, was tabled to the Board which is committed to the continuous improvement of the Group’s governance framework and processes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

In discharging its duties, the Board has full and unrestricted access to information pertaining to the Company and Directors are entitled to obtain independent professional advice at the cost of the Company. The Board also has full access to the Company Secretaries, who are qualified under the Companies Act 2016 to provide advisory services to the Board, covering corporate governance issues and compliance with the relevant policies and procedures, laws and regulatory requirements, in addition to administrative matters on meetings of the Board, Board Committees, and shareholders. Amongst others, the Company Secretaries facilitate timely circulation of sufficient and accurate information to Directors prior to meetings and ensure accurate meeting minutes are prepared, detailing the meeting deliberations and decisions.

Continuous Professional Development

In order to enable sustained effective functioning of the Board, Directors are expected to continuously update themselves and enhance their skills via continuing education programme. Directors are updated periodically by way of circulars on matters relating to changes to the Listing Requirements of Bursa Securities and are briefed by the Company Secretaries at Board Meetings, including their implications to the Directors.

Details of training and briefings attended by Directors during the financial year under review which were conducted by the relevant regulatory authorities and professional bodies are as follows:

No.	Topics of training and organisers	Date	Attended by
1	Beneficial Ownership training/briefings Reporting by Tricor Hive Sdn Bhd Via Zoom	03.11.2020	Puan Sri Datin Chan Pui Leorn Low Quek Kiong Low Kueck Shin Low Kwek Lee Low Kuek Kong Low Kok Yong Low Kok Yaow Law Piang Woon
2	Cessation of Companies & Limited Liability Partnerships by Suruhanjaya Syarikat Malaysia	29.09.2020	Low Kueck Shin
3	Companies Ac 2016, Practical Guide for Companies Secretaries by Suruhanjaya Syarikat Malaysia (Via Microsoft Teams)	10.11.2020	
4	Board Evaluation & Succession Planning by The Malaysian Institute of Chartered Secretaries & Administrators (Via Zoom)	11.11.2020	
5	Key Disclosure Obligations of a Listed Company - Financial Reporting by CKM Advisory Sdn Bhd (Via Zoom)	13.08.2020	Loh Wann Yuan Mohamed Akwal Bin Sultan Mohamad
6	Share Buy Back- A Regulatory Perspective by CKM Advisory Sdn Bhd (Via Zoom)	06.08.2020	Loh Wann Yuan
7	MIA Webinar Series : Audit Evidence & Assertions by Malaysian Institute of Accountants	10.12.2020	Law Piang Woon
8	2021 Budget Seminar by Malaysian Institute of Accountants (Via Zoom)	15.12.2020	
9	Latest Pronouncement of MFRS – Adoption of new standards, amendments and Interpretations by Grant Thornton Malaysia PLT	26.11.2020	Loh Wann Yuan Mohamed Akwal Bin Sultan Mohamad Law Piang Woon Brig. Jen. Dato' Ali bin Hj Musa



CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION

The Board currently consists of eleven (11) members, comprising seven (7) Executive Directors (“EDs”) and four (4) INEDs. This composition complies with the Listing Requirements of Bursa Securities, which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent. The INEDs provide the necessary checks and balances in Board’s deliberation by bringing an independent assessment of the Board’s decisions and decision-making process.

The EDs are complemented by the experience and independent views of the INEDs who are professionals in the fields of banking, public sector administration, finance, accounting, tax and legal. The EDs possess a fair range of business and industry experience in plantation and oil mill management, transportation and logistics, administration, and economics. The mix of skills and experience is synergistic and vital in directing and supervising the Group’s overall business activities amid the increasingly challenging business environment in which the Group operates. The profile of each Director is set out on pages 14 to 19 of the Company’s Annual Report 2020.

The Nominating Committee (“NC”) is entrusted to assess the adequacy and appropriateness of Board composition, identifying and recommending suitable candidates for Board membership and also to assess annually the performance of the Directors and Board diversity, including gender, age, and ethnicity diversity, training courses for Directors, and other qualities of the Board, including core-competencies which the INEDs should bring to the Board. Amongst others, the NC considers the individual’s character, experience, competence, integrity, and time commitment to Board activities when assessing the suitability and performance of a Director. The assessment process ensures that the Board composition fairly reflects the Company’s long-term strategic direction and needs, including the skills-mix for this purpose.

Based on the annual assessment conducted for the financial year under review, the NC was satisfied with the existing Board composition and concluded that each Director has the requisite competence and capability to serve on the Board and had sufficiently demonstrated their commitment to the Company in terms of time and participation, and recommended to the Board for the re-election of retiring Directors at the Company’s forthcoming Annual General Meeting (“AGM”).

At the end of the financial year under review, the Board has three (3) INEDs, who have individually served for more than twelve (12) years as Independent Directors. The Board has assessed, via the NC, their independence and contribution to the Company and, accordingly, recommended them for shareholders’ approval to continue to serve as INEDs for the ensuing year. Apart from being satisfied that they fulfilled the criteria for Independent Director under the Listing Requirements of Bursa Securities, the Board believes the following justifications are sufficient for it to recommend their extension as INEDs to be voted on a single-tier basis as opposed to the 2-tier voting process promulgated by Practice 4.2 of the MCCG, at the forthcoming AGM of the Company:

- They have demonstrated their commitment to the Company by attending all the meetings of the Board and Board Committees of which they are members;
- They bring with them vast experience and expertise to complement the competencies of the other Directors to enhance boardroom discussions and decision;
- They have individually been with the Company for more than twelve (12) years and, accordingly, are familiar with the nuances and understanding of the Group’s business operations and its challenges; and
- They have exercised due care and diligence during their tenure as INEDs and have carried out their duties professionally and objectively in the interest of the Company and shareholders.

The NC has also conducted an assessment on the independence of INEDs based on the criteria for Director’s independence as adopted by the Board. Following the NC’s recommendation, the Board is of the opinion that the independence of existing INEDs remains unimpaired and their judgement over business dealings of the Company has not been influenced by the interest of other Directors or substantial shareholders.

The Board does not have a specific policy for setting targets for women, ethnic or age composition to be onboarded. Evaluation of suitability of candidates is based on their competency, character, time availability, integrity and experience in meeting the Company’s needs. The Board advocates fair and equal participation and opportunity for all individuals of the right calibre.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

A summary of key activities undertaken by the NC during the financial year in discharging its duties is set out below:

- reviewed the skillset of the Board to ensure it has an appropriate mix of expertise and experience on a collective basis;
- considered the Board composition in terms of the average age of the Directors, gender-mix, and ethnic diversity;
- succession planning for Management;
- reviewed and assessed the independence of INEDs;
- reviewed and recommended the re-election of Directors who are due for re-appointment and retirement by rotation, including deliberation on INEDs whose tenure has individually exceeded 12 years and which would require their continuance as INEDs to be voted at the forthcoming AGM;
- assessed the effectiveness of the Board as a whole, the Board Committees, and the contribution of each individual Director;
- considered the training undertaken by Directors, including recommending to the Board the list of topics in training programme for the financial year; and
- reviewed the activities of the Audit Committee (“AC”) against the AC’s terms of reference and was satisfied that the AC has discharged its duties and responsibilities accordingly.

III. REMUNERATION

The Board has established a Remuneration Committee (“RC”) comprising three (3) members, all of whom are INEDs. The RC is entrusted by the Board to implement the policies and procedures on matters relating to, and making recommendations on, the remuneration of Directors for the Board’s approval. Such policies and procedures are developed in alignment with the Company’s business strategy and long-term objectives and are formalised in the Policy and Procedures on Remuneration of Directors and Senior Management. The Policy and Procedures on Remuneration of Directors and Senior Management was approved by the Board on 17 June 2020 and is available on the Company’s website at www.harnlen.com.my.

The EDs and Senior Management are paid salaries, allowances, bonuses and other customary benefits as appropriate. The remuneration is set based on relevant market relativities, performance of the Group and individuals, qualifications and experience. The remuneration for Senior Management is decided by the GMD while the RC reviews and assess the remuneration of all EDs, including the GMD.

The remuneration of INEDs comprises fees and other allowances. The Board ensures that the remuneration for INEDs does not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meetings.

The respective Directors abstained from deliberation and voting on their own remuneration at Board Meetings.

Details of Directors’ remuneration for the financial year ended 31 December 2020 in respect of the Group and Company, including breakdown of remuneration in terms of fees, salaries, benefits-in-kinds and others of individual Directors on a named basis, are set out in the Corporate Governance Report (under Practice 7.1), available on the Company’s website at www.harnlen.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Meetings of the Board and Board Committees

During the financial year, the Board convened seven (7) meetings whilst the Audit Committee, Nominating Committee, Remuneration Committee and Employees' Share Scheme Committee held eight (8), one (1), two (2) and one (1) meetings respectively. The attendance of the members at the said meetings is set out below:

	Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee	Employees' Share Scheme Committee
1	Puan Sri Datin Chan Pui Leorn	7/7	NA	NA	NA	NA
2	Mr. Low Quek Kiong	7/7	NA	NA	NA	1/1
3	Mr. Low Kueck Shin	7/7	NA	NA	NA	NA
4	Mr. Low Kwek Lee	7/7	NA	NA	NA	NA
5	Mr. Low Kuek Kong	7/7	NA	NA	NA	NA
6	Mr. Low Kok Yong	7/7	NA	NA	NA	NA
7	Mr. Low Kok Yaow	7/7	NA	NA	NA	NA
8	Mr. Loh Wann Yuan	7/7	8/8	1/1	2/2	NA
9	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	7/7	8/8	1/1	2/2	NA
10	Mr. Law Piang Woon	7/7	8/8	1/1	NA	1/1
11	En. Mohamed Akwal Bin Sultan Mohamad	7/7	8/8	1/1	2/2	NA

NA – Not Applicable

The Chairmen of the Board Committees are:

- Audit Committee and Nominating Committee - Mr. Loh Wann Yuan;
- Remuneration Committee - En. Mohamed Akwal bin Sultan Mohamad; and
- Employees' Share Scheme Committee - Mr. Low Quek Kiong.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE (“AC”)

To assist in the discharge of its duties on financial reporting, the Board established an Audit Committee, comprising four (4) members, all of whom are INEDs. One of the key responsibilities of the AC in its terms of reference on financial reporting oversight is to ensure that the audited financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 2016 and that the quarterly financial report adhere to the Listing Requirements of Bursa Securities. The AC has adopted a policy for the types of non-audit services permitted to be provided by the external auditors and/or their affiliates to ensure the external auditors' professional independence is not compromised by the nature of work they conduct for the Group. Moreover, the AC has formalised a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years if ever such a person is considered for on-boarding to be its member.

The AC is also tasked to review, through the internal audit function and the Enterprise Risk Management Committee, the adequacy and integrity of the Group's risk management and internal control system.

The AC composition, including its roles and responsibilities as well as a summary of its activities carried out during the financial year, are set out in the Audit Committee Report on pages 59 to 61 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is primarily responsible for maintaining a sound system of risk management and internal control which provides reasonable assurance that the Group's business operations are conducted in an orderly manner and in compliance with applicable laws and regulations as well as internal procedures and guidelines with a view of safeguarding the Group's assets.

The AC assists the Board in reviewing the adequacy and operating effectiveness of such a system and does so via the deployment of an independent outsourced internal audit function that conducts internal audit based on an internal audit plan approved by the AC. Findings from internal audit, including the corrective actions agreed by Management, are reported directly to the AC. For more details of the internal audit function, refer to the Statement on Risk Management and Internal Control which is included on pages 62 to 66 of this Annual Report. The Board oversees the risk management framework and policies with the assistance of the Enterprise Risk Management Committee ("ERM Committee"), comprising an INED, 2 EDs and a few members of Management. Management of the respective business units is tasked to manage business risks, including developing, implementing and monitoring mitigating measures to manage such risks to acceptable levels before reporting to the ERM Committee.

Details of the Group's Risk Management framework, activities carried out for the financial year under review and reporting processes are set out in the Statement on Risk Management and Internal Control included in this Annual Report.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which give a true and fair view of Harn Len Group and of the Company's state of affairs, results, and cash flows. The Directors are of the opinion that Harn Len Group uses appropriate accounting policies that are consistently applied and duly supported by reasonable as well as prudent judgements and estimates, and that the financial statements have been prepared in accordance with Financial Reporting Standards and the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities.

II. COMMUNICATION WITH STAKEHOLDERS

To ensure transparency and accountability to its shareholders and other stakeholders, the Board believes that continuous communication by the Company with these stakeholders facilitates mutual understanding of each other's objectives and expectations. As such, the Board consistently ensures the supply of clear, comprehensive, and timely information to stakeholders via various disclosures and announcements, including quarterly and annual financial results, which provide investors with up-to-date financial information about the Group. All these announcements and other information about the Company are available on the Company's website at www.harnlen.com.my.

In addition, the Directors also ensure that engagement with shareholders occurs at least once a year during the AGM to better understand their needs and obtain their feedback.

III. CONDUCT OF GENERAL MEETINGS

The AGM and Extraordinary General Meeting are the principal forums for shareholder dialogue, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification.

At the 20th AGM held on 28 September 2020, all the Directors were present in person to engage directly with and were accountable to the shareholders for their stewardship of the Company. During the AGM, shareholders participated in deliberating resolutions being proposed or on the Group's operations in general. The Directors and Senior Management appropriately responded to all questions raised and provided clarification as required by the shareholders.

This Statement is dated 30 April 2021.



SUSTAINABILITY REPORT

ABOUT THIS REPORT (102-1, 102-50)

As the expectations of corporate responsibility increase and transparency becomes more prevalent, the need for a holistic approach to business management and strategy grows. Harn Len Corporation Bhd (“Harn Len” or the “Group”) is a responsible player in the palm oil industry and recognises the benefits of this approach. By incorporating Economic, Environmental, Social (EES) and Governance considerations into our business model, we ensure long-term value and competitiveness.

This sustainability report is Harn Len’s fifth publication. The report presents an overview of the Group’s sustainability performance, addressing and managing EES risks and opportunities within our operations. It covers our performance for the financial year 1 January 2020 to 31 December 2020 (“FY2020”), unless stated otherwise.

With the COVID-19 pandemic, stakeholders’ areas of interest and concerns are bound to shift. To understand this shift and retain the trust of key stakeholders, we have reassessed the priority of our material sustainability matters to guide us to improve our management approaches.

Report Scope and Boundaries (102-2, 102-3, 102-4, 102-46)

The scope and boundary of this report are determined based on the operations where main activities are conducted and that are major sources of revenue.

The entities covered in this report include the Group’s oil palm estates, palm oil mill and main offices: Harn Len Corporation Bhd, Masranti Plantation Sdn Bhd, Masranti Sebangkoi Sdn Bhd and Harn Len Pelita Bengunan Sdn Bhd, which are located in Sarawak, Pahang and Johor. The Group’s headquarters are located in Johor Bahru.

Entities	Business Activities	Location of Operations
Harn Len Corporation Bhd	Main offices	Johor Bahru and Kuching
	Oil palm estate (Senang Estate)	Pahang
Masranti Plantation Sdn Bhd	Oil palm estate (Masranti Estate) and palm oil mill (Masranti Oil Mill)	Samarahan
Masranti Sebangkoi Sdn Bhd	Oil palm estate (Masranti Sebangkoi)	Simunjan
Harn Len Pelita Bengunan Sdn Bhd	Oil palm estate (Harn Len Pelita)	Sri Aman

Reporting Format

This sustainability report has been prepared in accordance to the following guidelines and framework.








SUSTAINABILITY REPORT (cont'd)

SUSTAINABILITY AT HARN LEN

Our Sustainability Journey

At Harn Len, we strive for steady sustainable growth and maturity in reporting. Year on year, we have expanded and improved our sustainability narrative to reflect our commitment to producing a comprehensive and balanced report for our stakeholders, as well as showcase our initiatives to align sustainability goals with business targets.

Our Sustainability Reporting Journey (FY2018-FY2020)

<p style="text-align: center;">FY2020</p> 	<ul style="list-style-type: none"> • In depth disclosure for four (4) main entities: Harn Len Corporation Bhd, Masranti Plantation Sdn Bhd, Masranti Sebangkoi Sdn Bhd, Harn Len Pelita Bengunan Sdn Bhd • Stakeholder engagement table includes areas of interest, engagement channels, frequency, Harn Len's response and reason for engagement • Ranked and assessed 15 Material Matters • Inclusion of GRI indicator numbers and GRI content index
<p style="text-align: center;">FY2019</p> 	<ul style="list-style-type: none"> • Disclosure for four (4) main entities: Harn Len Corporation Bhd, Masranti Plantation Sdn Bhd, Masranti Sebangkoi Sdn Bhd, Harn Len Pelita Bengunan Sdn Bhd • Adopted 10 SDGs • Stakeholder engagement includes areas of interest, engagement channels, frequency and Harn Len's response • 15 Governance, Economic, Environmental and Social Material Matters reported • Inclusion of GRI indicator numbers
<p style="text-align: center;">FY2018</p> 	<ul style="list-style-type: none"> • Disclosure for six (6) main estates/oil mills and headquarters: Lian Hup Estate, Lian Hup Oil Mill, Masranti Estate, Masranti Oil Mill, Senang Estate, Harn Len Pelita Bengunan Estate, Harn Len Corporation Bhd • Adopted eight (8) SDGs • Sustainability Governance Structure and Terms of Reference (TOR) established • Stakeholder engagement includes areas of interest, engagement channels and frequency • 11 Economic, Environmental and Social Material Matters reported

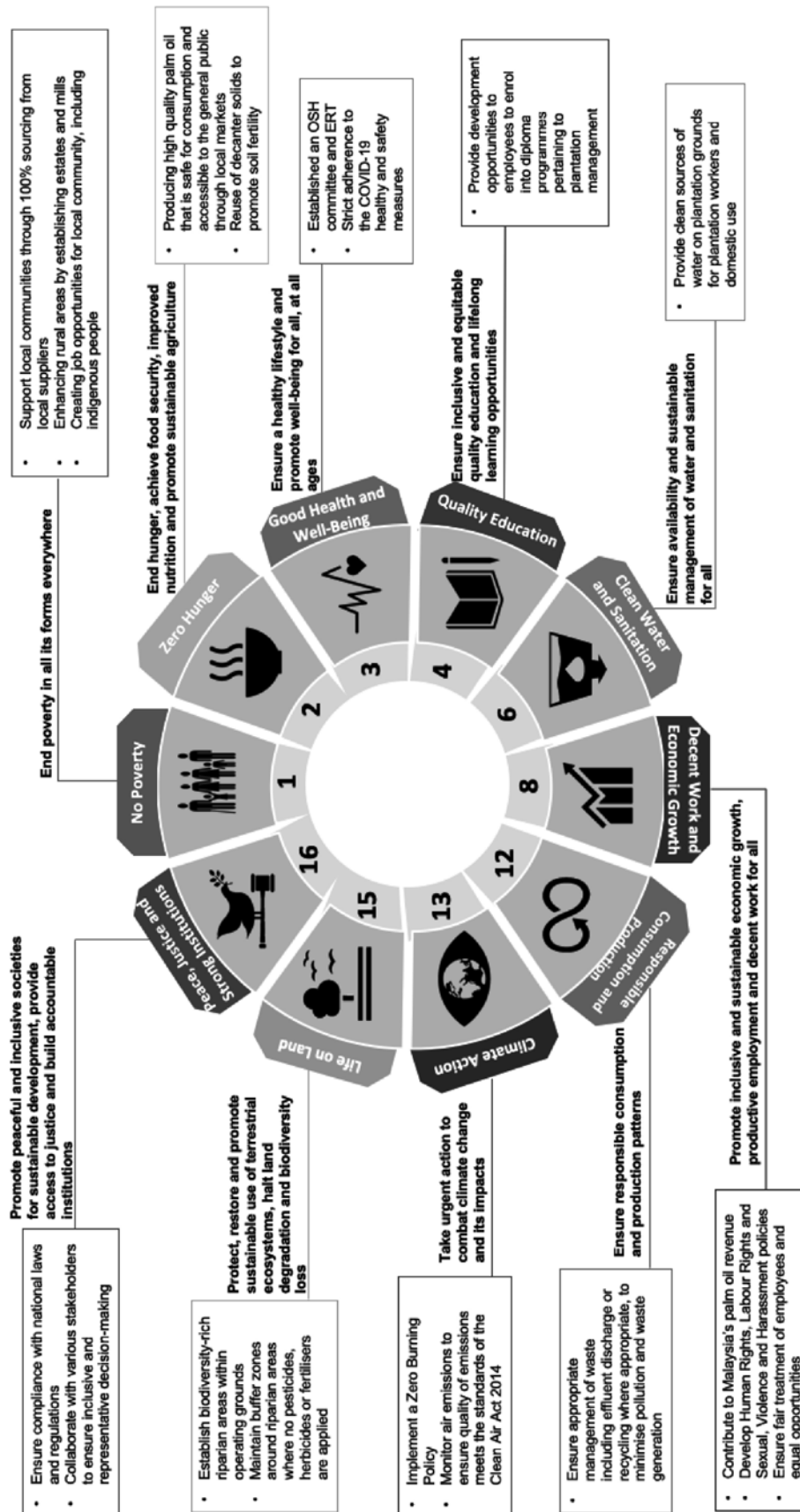
United Nations Sustainable Development Goals (SDGs)

The SDGs are a set of 17 universal goals created by the United Nations to address urgent environmental, political, social and economic challenges occurring around the world. They are aligned with the sustainable development agenda of the Eleventh Malaysia Plan 2016-2020, which seeks to ensure that no section of society is left behind in nation development.

As a Malaysian Sustainable Palm Oil (MSPO) certified organisation and growing force in the palm oil industry, we are committed to contributing to the SDGs. We have identified the following 10 SDGs that are most relevant to our business and towards which we can have a meaningful impact.



SUSTAINABILITY REPORT (cont'd)

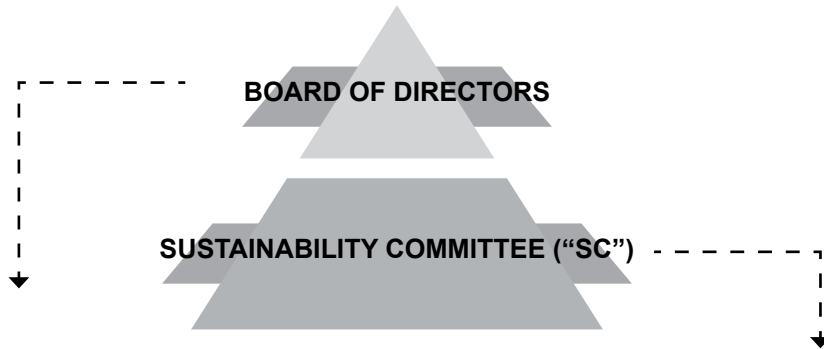




SUSTAINABILITY REPORT (cont'd)

Leadership for Sustainability (102-18, 102-19, 102-26, 102-29)

We believe that embedding sustainability successfully into our business strategy begins with having a strong governance structure. The Board of Directors (“BOD” or “Board”) are at the apex of our sustainability governance structure. They are assisted by the Sustainability Committee (“SC”) who is responsible for identifying, implementing and monitoring sustainability initiatives.




- Provides final approval on sustainability-related policies, initiatives and identified material issues relevant to the Group
- Oversees overall progress of sustainability efforts implemented by the SC

- Led by the Chairman who reports to the BOD on SC’s activities and initiatives
- Recommends sustainability-related policies to be implemented throughout the Group
- Periodically reviews the implemented sustainability policies and initiatives
- Recommends amendments to the sustainability policies and initiatives
- Recommends sustainability matters identified as material to the Group
- Highlights any material non-compliance issues to the BOD
- Reviews and monitors the Group’s enforcement policies with regard to maintaining regulatory compliance

ENGAGING OUR STAKEHOLDERS (102-40, 102-42, 102-43, 102-44)




Throughout the reporting period, we continuously engage our key stakeholders including investors, employees, customers, regulatory authorities and statutory bodies, suppliers, and the local community. Active stakeholder engagement nurtures stakeholder relations and enables us to understand their concerns and expectations, as well as review our effectiveness in addressing key material issues.

Stakeholder Groups	Areas of interest	Engagement Channel	Frequency of Engagement	Harn Len’s Response
 Investors <i>Why we engage: Investors play a major and crucial role in the success and growth of the Group.</i>	<ul style="list-style-type: none"> • Sustainability and maximisation of shareholder value • Financial performance and business strategy 	<ul style="list-style-type: none"> • Annual General Meeting (AGM) • Annual report • Company website 	<ul style="list-style-type: none"> • Yearly • Yearly • As and when necessary 	<ul style="list-style-type: none"> • Good relationship with investors and constructive feedback • Regular engagement sessions with investors such as financial results announcements and AGM



SUSTAINABILITY REPORT (cont'd)



ENGAGING OUR STAKEHOLDERS (102-40, 102-42, 102-43, 102-44) (cont'd)

Stakeholder Groups	Areas of interest	Engagement Channel	Frequency of Engagement	Harn Len's Response
 Employees <i>Why we engage: Our workforce forms the backbone of business operations.</i>	<ul style="list-style-type: none"> Workers' rights Grievance resolution Performance management Learning and development Industrial harmony Equitable remuneration 	<ul style="list-style-type: none"> Zoom Cloud meetings Sustainability Committee meetings Circulation of internal memos Management meetings Performance appraisals Training and product knowledge 	<ul style="list-style-type: none"> As and when necessary Four times a year As and when necessary Monthly / Quarterly Yearly As and when necessary 	<ul style="list-style-type: none"> Provide transparency of decisions made by management Training and development opportunities provided to employees
 Customers <i>Why we engage: Customer support is vital for a successful business model.</i>	<ul style="list-style-type: none"> Sustainability certifications and supply chain Efficient complaints resolution Customer-company relationship Safety and security 	<ul style="list-style-type: none"> Regular client meetings Feedback sessions Community and networking events 	<ul style="list-style-type: none"> Scheduled meetings As and when necessary Ad-hoc 	<ul style="list-style-type: none"> Provide transparency regarding our sustainability policy Routine visits to customer facilities to check on product delivery and to obtain feedback on our products
 Regulatory Authorities and Statutory Bodies <i>Why we engage: To build business resilience and lead by example.</i>	<ul style="list-style-type: none"> COVID-19 standard operation procedures Code of ethics and governance Labour practices Occupational safety and health Environmental management and compliance 	<ul style="list-style-type: none"> Direct correspondence via email and telephone conversations Inspection by local authorities General meetings between managers and local regulators Direct meetings and audits 	<ul style="list-style-type: none"> As and when necessary Yearly / As required As and when necessary Scheduled meetings 	<ul style="list-style-type: none"> COVID-19 guidelines and safety and health measures at workplace Human Rights and Labour Rights policies Occupational Safety and Health Policy Appointed a safety and health officer Conducted Hazard Identification, Risk Assessment and Risk Control (HIRARC) Conducted Chemical Health Risk Assessment (CHRA) MSPO certification Monitoring of environmental parameters



SUSTAINABILITY REPORT (cont'd)

ENGAGING OUR STAKEHOLDERS (102-40, 102-42, 102-43, 102-44) (cont'd)

Stakeholder Groups	Areas of interest	Engagement Channel	Frequency of Engagement	Harn Len's Response
 Suppliers <i>Why we engage: Supplier performance and input is critical to our business.</i>	<ul style="list-style-type: none"> Transparent procurement practices Service and delivery standards Fair contract terms 	<ul style="list-style-type: none"> One-on-one meetings Evaluation and performance reviews Vendor registration Fair contract negotiations 	<ul style="list-style-type: none"> Periodically Yearly As required Always 	<ul style="list-style-type: none"> Raised awareness of Group's sustainability commitments Conducted vendor performance evaluation
 Local Communities <i>Why we engage: To have a positive impact on the communities where we operate.</i>	<ul style="list-style-type: none"> Biodiversity and conservation Social issues Transparency and accountability to the community Environmental impact 	<ul style="list-style-type: none"> Festival season celebrations and events with local communities CSR activities Community engagement 	<ul style="list-style-type: none"> Throughout the year 	<ul style="list-style-type: none"> Initiatives to understand local community's concerns Improve relationship with local community Organised Tutup Gawai Festival and Hari Raya Thanksgiving dinner Contribution to schools

OUR MATERIAL SUSTAINABILITY MATTERS (102-47)

A materiality assessment is vital to build a business strategy using the lens of sustainability, as it determines the level of importance of each sustainability matter depending on its impact on business and stakeholder influence. In FY2018, Harn Len identified 11 material matters. These were then revisited and reassessed in FY2019, considering the changes in market outlook for palm oil and MSPO requirements, we identified 15 material matters across our business and plotted each matter according to priority in a materiality matrix.

For this financial year, the Group decided to retain the FY2019 material matters as they continue to be relevant to the current business approach and strategy. However, in light of COVID-19, we reassessed the matters to understand the potential impacts of the pandemic on business operations and stakeholder concerns.

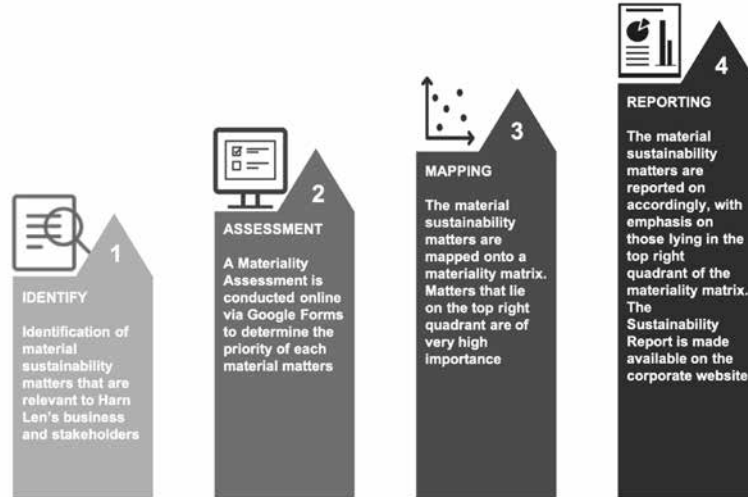
We conducted the materiality assessment online via Google Forms. This assessment was divided into three (3) sections; stakeholder ranking, importance of material matters to business operations and importance of material matters to stakeholders. The form was distributed among our SC where each respondent was required to represent a maximum of three (3) stakeholders due to time constraints. Representation of a particular stakeholder was determined based on engagements made with that stakeholder and the degree of understanding of the stakeholder's interests.

The illustration below describes the step by step process for establishing the materiality matrix and reporting on material matters in FY2020.



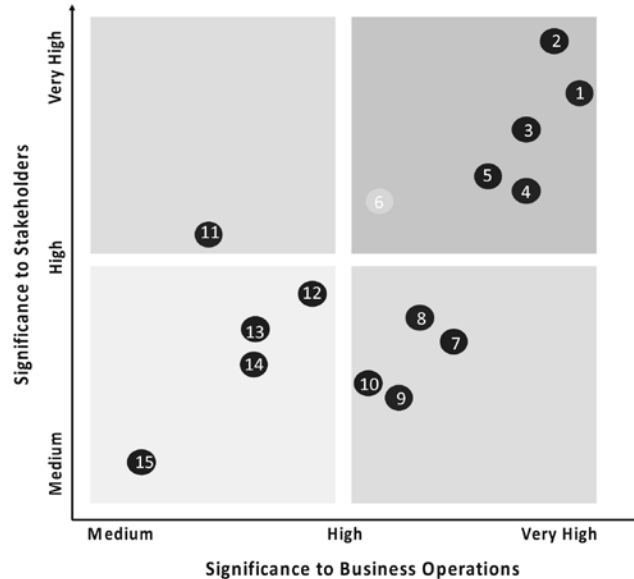
SUSTAINABILITY REPORT (cont'd)

OUR MATERIAL SUSTAINABILITY MATTERS (102-47) (cont'd)



Materiality Matrix

Material matters in the top right quadrant of the materiality matrix include Occupational Health and Safety, Regulatory Compliance, Corporate Governance, Labour Rights, Ethics and Integrity, and Procurement Practices. Our narrative in this report focuses on how the Group addresses these material matters.



















Proactive Leadership	Sustainable Supply Chain	Conserving the Environment	Enhancing Social Values
2. Regulatory Compliance	6. Procurement Practices	7. Responsible Agriculture Practice	1. Occupational Health and Safety
3. Corporate Governance		10. Water Management	4. Labour Rights
5. Ethics and Integrity		12. Energy Management	8. Talent Retention and Attraction
		13. Effluent and Waste	9. Diversity and Inclusiveness
		14. Air Quality	11. Contribution to Society
		15. Human-Animal Conflict	



SUSTAINABILITY REPORT (cont'd)

Mapping Our Material Sustainability Matters

In the table below, we have aligned the 15 material matters to the corresponding stakeholder groups, GRI Standard disclosures and SDGs.

Material Sustainability Matter	GRI Indicator	Stakeholder Group	UN SDG
PROACTIVE LEADERSHIP			
Corporate Governance	102-18 : Governance structure	Employees, Investors	 
Ethics and Integrity	103-2 : Management approach 102-16 : Ethics and Integrity 102-17 : Mechanisms for advice and concerns about ethics 205-2 : Communication and training about anti-corruption policies and procedures	Employees, Suppliers	 
Regulatory Compliance	103-2 : Management approach 307-1 : Non-compliance with environmental laws and regulations	Employees, Investors, Regulatory Agencies and Statutory Bodies	  
SUSTAINABLE SUPPLY CHAIN			
Procurement Practices	102-9 : Supply chain 204-1 : Proportion of spending on local suppliers	Suppliers	 
CONSERVING THE ENVIRONMENT			
Air Quality	103-2 : Management approach	Local Communities, Regulatory Agencies and Statutory Bodies	
Effluent and Waste	303-2 : Management of water discharge-related impacts 306-2 : Management of significant waste-related impacts 306-3 : Waste generated 306-4 : Waste diverted from disposal 306-5 : Waste directed to disposal	Local Communities, Regulatory Agencies and Statutory Bodies	 
Responsible Agricultural Practice	103-2 : Management approach	Local Communities, Regulatory Agencies and Statutory Bodies, Investors, Customers	  
Human-Animal Conflict	103-2 : Management approach	Local Communities, Employees, Investors and Regulatory Agencies and Statutory Bodies	



SUSTAINABILITY REPORT (cont'd)

Mapping Our Material Sustainability Matters (cont'd)

Material Sustainability Matter	GRI Indicator	Stakeholder Group	UN SDG
Energy Management	103-2 : Management approach 302-1 : Energy consumption within the organisation	Local Communities, Investors	
Water Management	303-5 : Water consumption	Local Communities, Investors	
ENHANCING SOCIAL VALUES			
Contribution to Society	413-1 : Operations with local community engagement, impact assessments and development programmes	Local Communities	
Labour Rights	202-1 : Ratios of standard entry level wage by gender compared to local minimum wage	Employees, Regulatory Agencies and Statutory Bodies	
Talent Retention and Attraction	103-2 : Management approach 401-1 : New employee hires and employee turnover 401-2 : Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employees	
Occupational Health and Safety	103-2 : Management approach 403-1 : Occupational Health and safety management system 403-2 : Hazard identification, risk assessment and incident investigation (HIRARC) 403-4 : Worker participation, consultation and communication on occupational health and safety 403-5 : Worker training on occupational health and safety 403-9 : Work-related injuries	Employees, Regulatory Agencies and Statutory Bodies	
Diversity and Inclusiveness	405-1 : Diversity of governance bodies and employees	Employees	



SUSTAINABILITY REPORT (cont'd)

PROACTIVE LEADERSHIP

At Harn Len, we believe in the medium and long-term benefits of robust governance that promotes a culture of integrity within the organisation. Implementing best practices for governance not only builds confidence in our business dealings and reputation among stakeholders, but also creates a solid foundation for risk management and reduces exposure to non-compliance incidents. We hold ourselves to the highest standards and strive to set an example for all employees when adhering to the codes and policies that guide our behaviour.

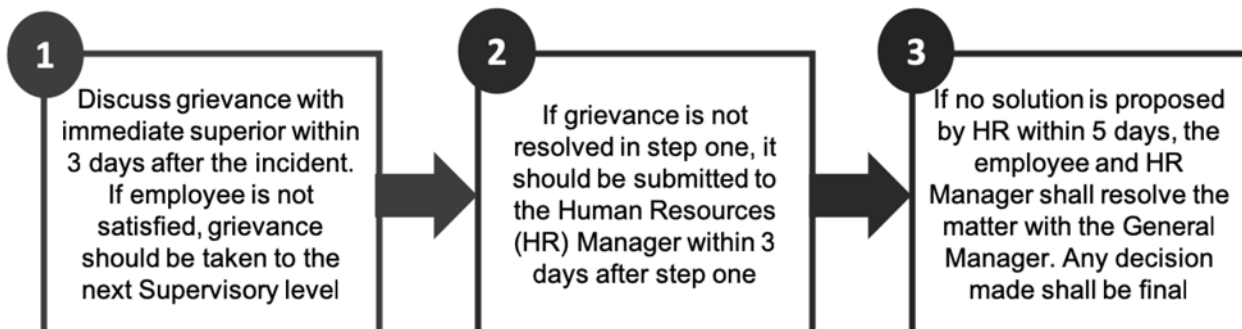
Contribution to the SDGs



Corporate Governance (102-35, 103-2)

Good corporate governance is critical, not only as a framework for direction and integrity, but also to promote longevity and financial viability for our stakeholders. Harn Len's Remuneration Policy, and Complaints and Grievances Process are examples of how we promote transparency and accountability within the organisation. The former ensures all relevant personnel are compensated fairly based on merits and performance, and provides transparency when compensating senior management and directors in Harn Len. Additional information on this is available in our Corporate Governance Report.

In FY2020, we formalised the Complaints and Grievances Process across all our subsidiaries, following MSPO requirements. The process holds all employees accountable to report any potential misconduct and helps us identify areas of weaknesses within our management system. No cases were recorded using this channel in FY2020.



Ethics & Integrity (102-16, 102-17, 205-2)

The Board has adopted a Code of Ethics and Conduct and Whistleblowing Policy, as a commitment to integrity and accountability across all levels of our organisation. In FY2020, we established an Anti-Bribery and Corruption (ABC) Policy, an ISO 37001:2016 requirement. Harn Len's codes and policies are conveyed to employees in briefing sessions, with all staff required to sign a declaration certifying that they understand and will abide by the Policies. All policies are available to the public on the Group's corporate website.

Anti-Bribery Corruption Policy

The ABC Policy outlines Harn Len's commitment, as well as the scope and applicability of the anti-corruption. Violating the Policy can lead to the termination of employment and/or fines, depending on the violation, which has been stipulated by the Malaysian Anti-Corruption Commission Act 2009. This Policy is regularly reviewed and will be amended when deemed necessary.

SUSTAINABILITY REPORT (cont'd)

Regulatory Compliance (307-1, 419-1)

Harn Len performs regular internal audits, demonstrating the Group's commitment to regulatory compliance. Independent members of our Audit Committee are experienced in legal matters and undergo regular training to remain updated with the latest legal developments. We have a legal register which is a compilation of all the laws and regulations that we need to adhere to. This year, we recorded zero incidents of non-compliance.

Federal Laws and Regulations	
<ul style="list-style-type: none"> • Workmen's Compensation Act 1952 • Immigration Act 1959/63 • Land Acquisition 1960 • National Land Code 1965 • Employees Social Security Act 1969 • Employees Provident Fund Act 1991 • Malaysian Palm Oil Board Act 1998 • Employment Insurance System Act 2017 • Minimum Retirement Age Act 2012 	<ul style="list-style-type: none"> • Sales Tax Act 2018 • Minimum Wage Order 2020 • Occupational Health and Safety Act 1994 • Safety and Health Committee Regulation 1996 • Environmental Quality Act 1974 • Environmental Quality (Clean Air Act) 2014 • Pesticide (Licensing for Sales and Storage) Rules 2007 • Employment Act 1955

As most of our palm oil estates are located in Sarawak, we also comply with the Sarawak State Ordinance, including:

Sarawak State Ordinance
<ul style="list-style-type: none"> • Land Code 1958 • Labour Ordinance 1958 • Cap 30 Public Health Ordinance 1999 • Wildlife Protection Ordinance 1998 • Natural Resources and Environmental Ordinance 1958

SUSTAINABLE SUPPLY CHAIN

At Harn Len, we strive to integrate environmentally and financially viable practices in our supply chain to reduce our environmental impact and promote the longevity of our business operations.

Contribution to the SDGs



Procurement Practices (102-9, 204-1)

Our agricultural and corporate operations rely on the procurement of equipment and other materials, and supply of services. Some examples of materials we procure are boilers, heavy machinery, weighbridges, computers, and other IT equipment. Services include maintenance and repair, and water treatment.

All of our associates are thoroughly vetted to ensure the best suppliers are hired for our operations. Indicators of supplier performance are evaluated annually and the four (4) key areas of assessment are:

Product <ul style="list-style-type: none"> • Price • Stock Availability • Terms and Conditions 	Delivery Performance <ul style="list-style-type: none"> • Timeliness • Flexibility • Packing and Handling 	Sales and Service Support <ul style="list-style-type: none"> • Complaint Resolution • After Sales Service 	Technical Expertise <ul style="list-style-type: none"> • Personnel Availability • Personnel Business Conduct • Complaint Resolution
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SUSTAINABILITY REPORT (cont'd)

Procurement Practices (102-9, 204-1) (cont'd)

We practice procurement from local suppliers as it is cost-effective, enhance after sales services, ensure material availability and reduce delivery time. This year, 100% of our procurement budget was spent on local suppliers. Through local sourcing, we are able to monitor and optimise our supply chain and create economic opportunities within the local market.

CONSERVING THE ENVIRONMENT

At Harn Len, we work closely with the surrounding environment and thus understand the importance of conservation. We endeavour to maintain good stewardship of natural systems and minimise our environmental impact through responsible agricultural practices, as well as responsible management of natural resources.

Contribution to the SDGs



Responsible Agricultural Practice (103-2)

Agriculture is at the core of Harn Len's business operations. To ensure our agricultural practices are standardised across estates and to reflect our commitment to sustainability, we comply with MSPO standards. These standards consist of seven (7) principles based on the three pillars of sustainability, People, Planet and Prosperity.

Currently, three (3) of our oil palm estate and our be palm oil mill have obtained the MSPO certification with the exception of Masranti Sebangkoi which is in the process of completing the necessary requirements for certification. Senang Estate received the MSPO certification this financial year and the scope can be found in the table below.

Location	Scope
Harn Len Corporation Bhd: Senang Estate, Pahang	Production of Fresh Fruit Bunches (FFB) for Plantations in compliance with the MSPO Certification Standard MS2530-3:2013 Part 3: General Principles for Oil Palm Plantations and Organised Smallholders

Harn Len has established an MSPO committee to oversee the implementation of MSPO standards at the estates and mill, and to prepare for annual external audits. The committee consists of a sustainability manager, sustainability in-charge, document assistant and various officers, as shown in the diagram below. The committee meets on a quarterly basis.





SUSTAINABILITY REPORT (cont'd)

Responsible Agricultural Practice (103-2) (cont'd)

To further support the implementation of MSPO principles in our operations, we have established Standard Operating Procedures (SOP) which all employees are expected to adhere to. These SOPs also aid in preventing any instance of human-animal conflict within our operating grounds.

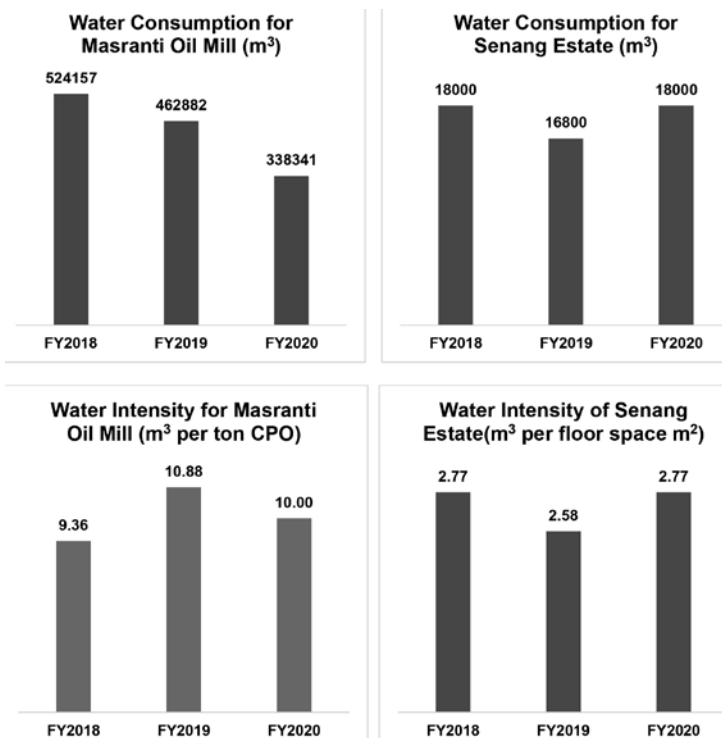
Standard Operating Procedures	
•	Hunting is prohibited
•	A 130-meter distance from riparian and buffer zones must be maintained when applying pesticides or herbicides.
•	Zero Burning Policy

We provide training and briefing to our workforce on MSPO principles, best agricultural practices and competency when handling chemicals such as pesticides and herbicides. Some of the training programmes include, Chemical Handling and Spraying, MSPO SOPs and Harvesting Training. A comprehensive list of training and briefing programmes can be found in the 'Talent Retention and Attraction' section of this report.

Water Management (303-5)

As an oil palm plantation owner and palm oil manufacturer, efficient water management and monitoring is critical. We strive to optimise our water usage to minimise our environmental footprint. Oil palm trees have strict water requirements and require a large amount of water for maintenance and an optimal product harvest. The oil mill also requires water for crude palm oil production, including boilers for electricity generation, purification process for chemical synthesis and sterilisation to cook/soften fruit bunch.

We maintained our water monitoring efforts in Senang Estate and Masranti Oil Mill in FY2020. For Senang Estate, the annual water consumption saw a decrease in FY2019 before increasing in FY2020. The data provided is an estimation based on the capacity of the water reservoir in Senang Estate. Masranti Oil Mill also monitored its consumption as illustrated in the figure below. From annual consumption, the water intensity was calculated to analyse the efficiency of water use in oil mill operations. A downward trend in water intensity for Masranti Oil Mill can be observed in the diagram below with a decrease of approximately 8% from FY2019 to FY2020, in which the reduced production of CPO consumes less water.





SUSTAINABILITY REPORT (cont'd)

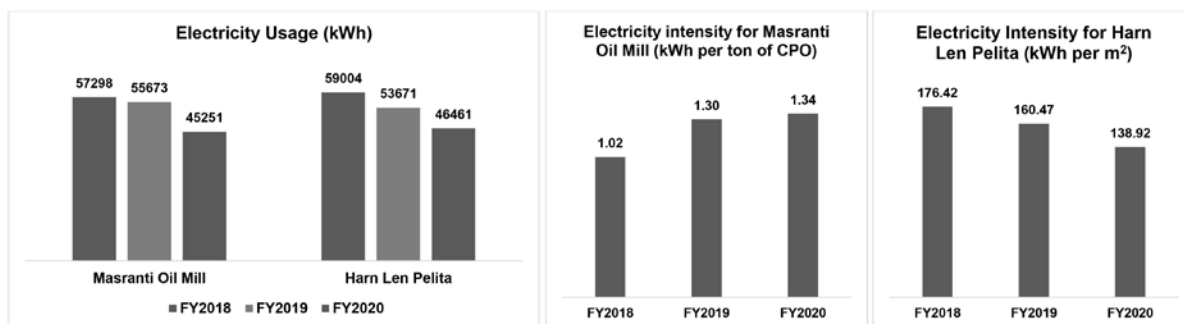
Energy Management (302-1, 302-3)

Diesel is an important resource for Harn Len due to the energy-intensive nature of our palm oil production process. Good energy management not only reduces business expenses but also allows us to monitor our environmental footprint. We have been monitoring our diesel consumption since 2017. As for electricity consumption, we have standardised our approach to data collection starting from this reporting period. Therefore, the data for the previous years is to be considered obsolete.

Electricity Consumption

For this reporting period, electricity consumption data for Masranti Oil Mill and Harn Len Pelita was recorded at 45251kWh and 46461kWh respectively, while electricity intensity for the entities are 1.34 kWh per tonne CPO and 138.92 kWh per m² respectively. The electricity intensity for Masranti Oil Mill was calculated using the amount of CPO produced in tonnes while total floor space in m² was used for Harn Len Pelita. This is because Masranti Oil Mill is the sole producer of CPO in the Group's operations.

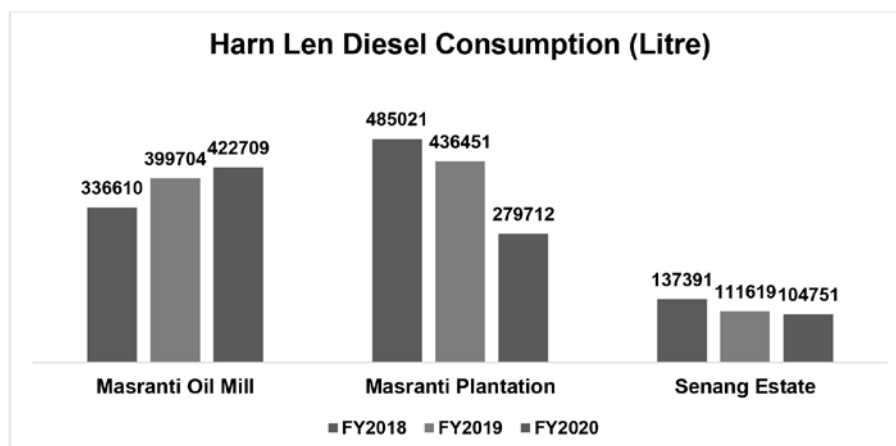
As Masranti Oil Mill is the sole producer of CPO, it generates electricity on its own. Both Senang Estate and Masranti Sebangkoi source their electricity from a diesel generator while Harn Len Pelita uses electricity from the national grid.



Diesel Consumption

In addition to electricity, we disclose our fuel consumption as it constitutes a significant part of Harn Len's energy use. Diesel is used to fuel the generators for electricity and by our trucks for transportation. Diesel consumption data collection has been expanded to include Masranti Sebangkoi Sdn Bhd in FY2020, in addition to Masranti Oil Mill, Masranti Plantation, and Senang Estate. Masranti Sebangkoi consumed 3387 litres of diesel in FY2020.

There was a reduction in fuel consumption, from FY2019 to FY2020, for Masranti Plantation and Senang Estate of 36% and 6% respectively. Masranti Oil Mill however has seen an upward trend since FY2018, increasing by approximately 5.8% from FY2019 to FY2020.



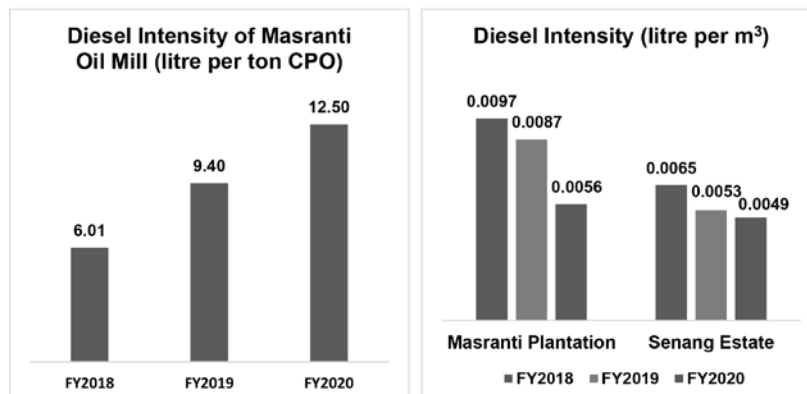


SUSTAINABILITY REPORT (cont'd)

Energy Management (302-1, 302-3) (cont'd)

Diesel Consumption (cont'd)

The diesel intensity was also calculated for Masranti Oil Mill, Masranti Plantation and Senang Estate in FY2020 to measure the fuel efficiency of our operations. For Masranti Plantation and Senang Estate, diesel intensity has decreased since FY2018. In contrast, Masranti Oil Mill saw an increase in diesel intensity which can be attributed to a decrease in CPO production.



Effluent and Waste (303-2, 306-2, 306-3, 306-4, 306-5)

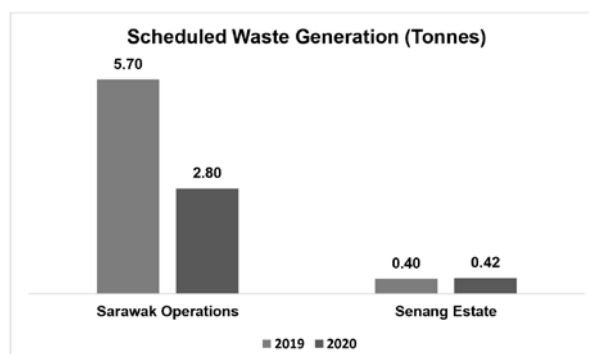
Harn Len generates various types of waste from scheduled waste to organic waste. To ensure there are no adverse environmental impacts, Harn Len has taken several measures to manage different types of waste.

Scheduled Waste

Harn Len generates three (3) types of scheduled waste from our plantation and milling activities, which are:

- SW305: Spent lubricating oil
- SW306: Spent hydraulic oil
- SW410: Rags, plastics, papers or filters contaminated with scheduled wastes

In compliance with the Environmental Quality Scheduled Waste regulations, proper labelling and storage practices are ensured to prevent any accidental discharge into the environment. Collection of scheduled waste is only handled by certified scheduled waste collectors and the monthly collection of waste from our oil mill is reported to the Electronic Scheduled Waste Information System (ESWIS). The amount of scheduled waste generated decreased in Sarawak Operations since FY2019, but increased by 0.02 tonnes in the Senang Estate as seen in the figure below.



* Scheduled waste for 2018 is not reported due to comprehensive data tracking starting in 2019

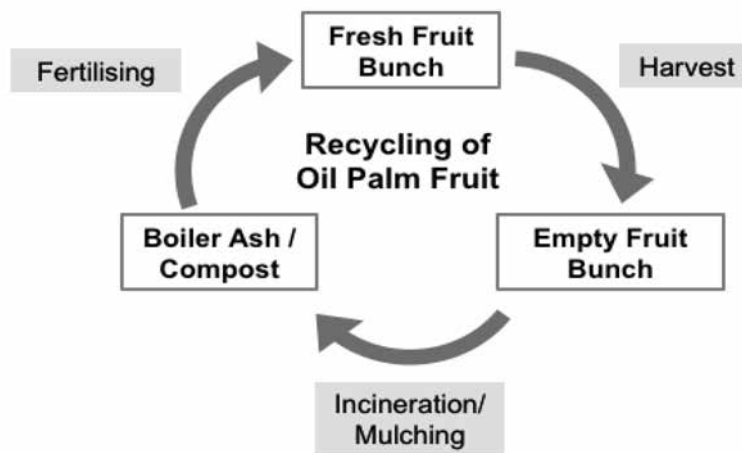


SUSTAINABILITY REPORT (cont'd)

Effluent and Waste (303-2, 306-2, 306-3, 306-4, 306-5)

Non-scheduled Waste

We generate organic waste in our estates and palm oil mills. The empty fruit bunches (EFB) are a major contributor to biomass waste for palm oil plantations. This year, Masranti Palm Oil Mill produced approximately 1218.49 metric tonnes ("MT") of EFB. Masranti Palm Oil Mill practices that 80% of EFB is to be incinerated while the remaining 20% is used for mulching across our estates.



Decanter solids produced in oil mills from the centrifugal process, are rich in nutrients and contain beneficial chemical properties. They are used as fertilisers in the estates. This year, an estimated 4152 metric tonnes of decanter solids were produced and subsequently used in the estates, thus reducing the amount of landfill waste.

Harn Len also monitors the palm oil mill effluent (POME) discharged from Masranti Oil Mill to ensure it does not exceed the prescribed limit set by the Malaysian Palm Oil Board (MPOB). The table below shows the mill's effluent discharge parameters and the prescribed limits, demonstrating the POME discharge in FY2020 was within MPOB limits.

Parameters	Units	Monitoring Data	MPOB Limits
pH	-	8.6	5 – 9
Biological Oxygen Demand	mg/l	11	100
Chemical Oxygen Demand	mg/l	105	*
Suspended Solids	mg/l	5	400
Total Suspended Solids	mg/l	882	*
Ammoniacal Nitrogen	mg/l	5.83	150
Total Nitrogen	mg/l	12.3	200
Oil & Grease	mg/l	2.4	50

* No standards set for parameters COD and TSS

Air Quality (103-2)

At Harn Len, we are cognisant of our impact on the environment, which includes emissions. During the processing of fresh fruit bunches (FFB) to produce palm oil at Masranti Oil Mill, dust particles and carbon monoxide are emitted.

We comply with the Clean Air Act 2014, and we effectively monitor and manage these emissions through detailed monitoring systems and procedures. We conduct both continuous and stack monitoring of emissions at the palm oil mill. In FY2020, we successfully met the permissible limits that are applicable to our operations.



SUSTAINABILITY REPORT (cont'd)

Air Quality (103-2) (cont'd)

	Type of Monitoring	Frequency
Palm Oil Mill System	Continuous Emission Monitoring System (CEMS)*	Continuous
Boiler	Stack monitoring**	Biannually
Incinerator	Stack monitoring	Biannually

* The CEMS is a real-time emission monitoring system which continuously monitors and sends data to the Department of Environment (DOE) for permanent records

** Stack monitoring refers to the monitoring of emissions from emission points

ENHANCING SOCIAL VALUES

At Harn Len, we understand that one of our most important resources is our people. As such, we endeavour to provide a healthy, safe and conducive work environment where our employees are empowered to succeed. We strive to foster a culture that also allows for personal and professional growth through various training and development opportunities, while treating everyone with respect and dignity, Harn Len also provides benefits tailored to community needs.

Contribution to the SDGs



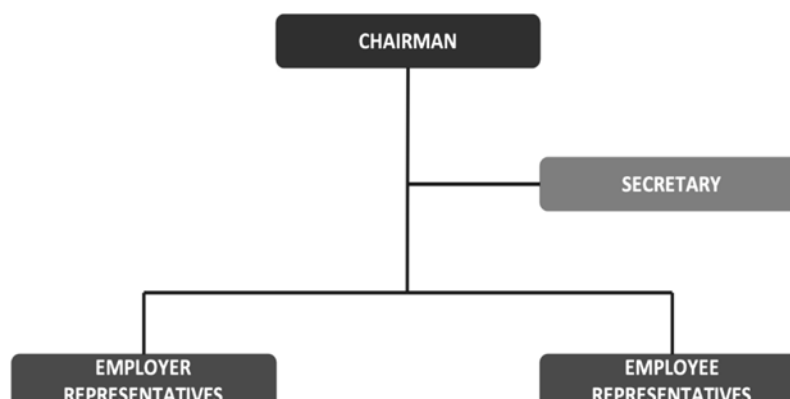
Occupational Health and Safety (403-1, 403-2, 403-3, 403-4, 403-5)

Harn Len firmly believes that a safe and healthy work environment for our employees is important, especially during the COVID-19 pandemic. In FY2020, we recorded zero fatalities at our workplace which can be attributed to our effective Occupational Health and Safety (OHS) Management System. Other reasons include proactive risk identification and management and safety training programmes.

We have established an OHS Committee at each operational site as required by the Occupational Safety and Health Act (OSHA) 1994, as well as an Emergency Response Team (ERT) at Masranti Plantation. OHS committee meetings are held every quarter.

The OSH committee and ERT structures, along with the roles and responsibilities of its members are presented below.

Occupational Health and Safety (OHS) Committee



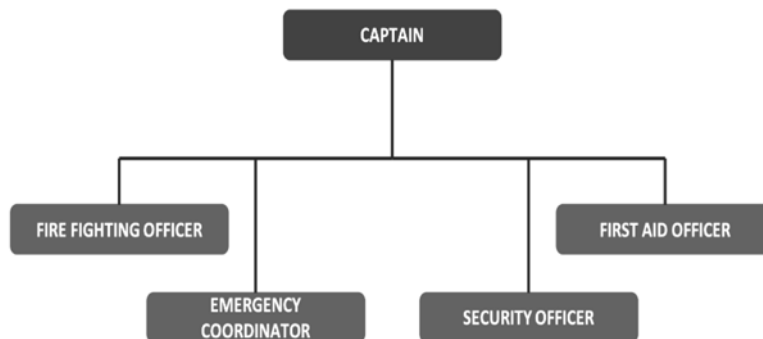


SUSTAINABILITY REPORT (cont'd)

Occupational Health and Safety (403-1, 403-2, 403-3, 403-4, 403-5) (cont'd)

OSH Committee Members	Roles and Responsibilities
Chairman	<ul style="list-style-type: none"> Ensures the OHS Policy is communicated, understood and reviewed Ensures resources required to meet OHS objectives are adequately provided Responds and takes immediate action to comply with local regulations and other requirements To be the ERT Captain
Secretary	<ul style="list-style-type: none"> Carries out site surveys to monitor safe work practices, employees' health and safety requirements, welfare and first aid facilities Conducts OHS awareness Assists in determining causes of accidents and recommends suitable control measures
Employer Representatives	<ul style="list-style-type: none"> Promote and support OHS activities Review OHS key performance indicators and activities with significant OHS impacts
Employee Representatives	<ul style="list-style-type: none"> Involved in the development and review of policies and procedures to manage risk Consulted where there are changes that affect workplace health and safety

Emergency Response Team (ERT)



ERT Members	Roles and Responsibilities
Captain	<ul style="list-style-type: none"> Possesses sufficient firefighting and first aid training Familiar with the operations including existing and potential hazards, firefighting system, first aid equipment and other fire protective equipment Ensures that sufficient number of people are assigned to emergencies
Fire Fighting Officer	<ul style="list-style-type: none"> Sufficient firefighting training Familiar with the location of firefighting equipment
Emergency Coordinator	<ul style="list-style-type: none"> Conducts headcount and reports to the ERT Captain
Security Officer	<ul style="list-style-type: none"> Responsible for traffic control
First Aid Officer	<ul style="list-style-type: none"> To apply basic first aid to injured personnel



SUSTAINABILITY REPORT (cont'd)

Occupational Health and Safety (403-1, 403-2, 403-3, 403-4, 403-5) (cont'd)

Risk Assessment and Management

Identifying and managing work-related hazards is a priority as we are aware that our operations inherently involve potential safety risks and hazards. Therefore, we conduct the Hazard Identification, Risk Assessment and Risk Control (HIRARC) assessment to identify these hazards, existing controls, risk level and recommend further control measures accordingly. The HIRARC assessment covers the following areas:

Estates	Palm Oil Mill
Manuring, excavation, chemical handling, rat baiting, cleaning of palm trees, harvesting, machineries, workshop, fertiliser store, chemical store, spare parts store, lubricant store, FFB loading	Effluent pond, machineries, kernel bunker silo, transfer carriage wet end and dry end, cages

The HIRARC assessment is based on two key factors, severity of an injury/illness resulting from a hazard and the likelihood of the injury/illness occurring. Based on these factors, we have established that our operations are of Medium risk. We also maintain the FY2019 HIRARC list of potential hazards and recommended control measures as it is comprehensive and true to the nature of our operations.

Besides the HIRARC assessment, we regularly inspect our workplace using the 'Workplace Inspection Checklist' to critically examine the safety of the area and reinforce best health and safety practices. The checklist includes the availability of first aid kits, fire extinguishers, safety signages and good lighting.

We also conduct a Chemical Health Risk Assessment (CHRA) every five (5) years as required by the Use and Standard of Exposure Chemical Hazardous to Health (USECHH) Regulations 2000. This is crucial in establishing appropriate control measures regarding exposure to hazardous chemicals.

COVID-19 Response

The COVID-19 pandemic has affected many industries and organisations, including Harn Len at varying degrees. We have made our best efforts to minimise disruptions for our employees and to business operations. Throughout the Movement Control Order (MCO), the welfare of our employees remained our utmost concern due to the nature of the virus as well as the proximity of our operations to international borders. As such, our employees were required to undergo COVID-19 swab tests.





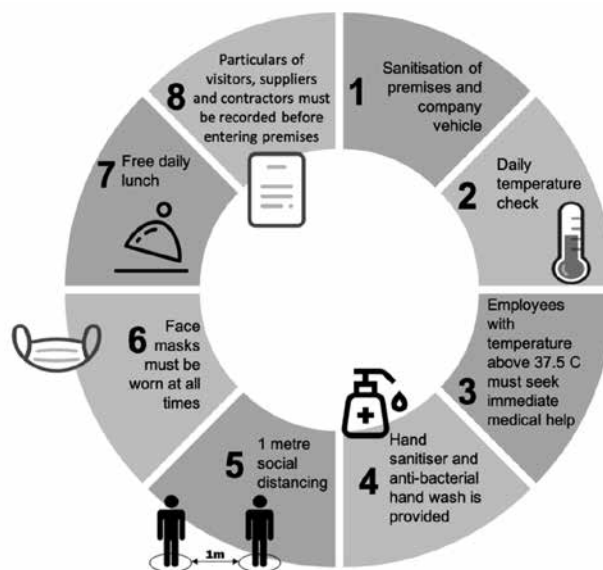
SUSTAINABILITY REPORT (cont'd)

Occupational Health and Safety (403-1, 403-2, 403-3, 403-4, 403-5) (cont'd)

COVID-19 Response (cont'd)

To prevent the spread of the contagion within our operations and to protect our employees, we introduced comprehensive guidelines and preventative measures. Such measures include sanitisation of the premises, body temperature monitoring and social distancing measures. Another measure we undertook was the 'free-lunch' campaign throughout the MCO and Conditional Movement Control Order (CMCO) to provide our employees with daily packed lunches to decrease the need to go out for meals, thereby reducing the chances of infection.

COVID-19 Health and Safety Measures at the Workplace



Labour Rights (407-1, 408-1, 409-1)

Palm oil production is labour intensive, especially operations involved in the management of oil palm estate and mills. We believe it is our responsibility to provide fair wages to employees so that they can afford a decent standard of living. The minimum wage we offer is in line with the amount stipulated by Malaysia's Minimum Wage Order 2020. In Sarawak, employees from indigenous groups who are employed on a contract basis and whose monthly wages do not exceed RM2,500 receive additional benefits as stipulated by the Sarawak Labour Ordinance (SLO).

We have implemented a Human Rights and Labour Rights Policy, and a Sexual Harassment, Violence and Abuse Policy in FY2019, to protect and respect the rights of our stakeholders regardless of gender, age, ethnicity or employment category. Both policies are available in two languages, English and Malay.



SUSTAINABILITY REPORT (cont'd)

Labour Rights (407-1, 408-1, 409-1) (cont'd)

Labour Rights and Human Rights Policy

The Labour Rights and Human Rights Policy is aligned with the Universal Declaration of Human Rights which applies to all people. The core principles Harn Len implements as part of the policy are:



Sexual Harassment, Violence and Abuse Policy

The Sexual Harassment, Violence and Abuse Policy seeks to take disciplinary action against any offenders, regardless of their position in the Group. The boundaries and actions of sexual harassment and abuse are clearly defined to prevent any confusion in the workplace. Any allegations of harassment or abuse will be investigated thoroughly and if substantiated, appropriate sanctions which can include being discharged from the Group, will be imposed on the offender. The identity of the complainant will remain anonymous to protect the employee from any potential reprisal.

Talent Retention and Attraction (401-1, 404-1, 404-2)

Investing in our people is the cornerstone of our success. We strive for a low turnover rate by attracting and nurturing our talent through compensations and benefits that are of professional and personal value. The benefits that we offer in our competitive remuneration package includes group personal accident insurance, allowances for transportation, travel, training, housing and telephone use, and education awards for our employees' children. In addition, we offer the Employee Share Option Scheme (ESOS) and share grant, allowing employees to purchase Harn Len shares, thus aligning their incentives with those of the Group.





SUSTAINABILITY REPORT (cont'd)

Talent Retention and Attraction (401-1, 404-1, 404-2) (cont'd)

To further motivate and reward our employees, Harn Len organises regular engagement activities to foster relationships between employees across different levels. Such initiatives include informal monthly briefings, lunches, and a 'thanksgiving' lunch to celebrate receiving the MSPO certification.

In FY2020, we hired 31 new employees and 141 employees resigned. The high turnover rate can be attributed to the pandemic as many of our employees from Tenaga Kerja Indonesia (TKI) returned home to care for their families, before the MCO commenced. Below is the summary of new employee hires and resignation by gender and age group.



Training and Development

Continuous development and learning are essential for employee and business growth, as well as attracting and retaining talent. We invest in internal and external training to help our employees expand and upgrade their skills, beginning with an induction training for new employees. During induction, employees are introduced to the Group's principles, policies and procedures that must be adhered to. Below is a list of key training programmes we provided in FY2020.

Training Programmes	
<ul style="list-style-type: none"> • P & D Training • Audit Training • Waste Management • Environmental Briefing • Machinery Operator Training • Genset Operator Training • MSPO SOP • MSPO briefing • Authorised Entrant and Standby Person for Confined Space Refresher 	<ul style="list-style-type: none"> • Chemical Handling • Chemical Spraying • Manuring • FFB and Fertiliser Loading • Loose Fruit Collection • Harvesting • Pruning • Fire extinguisher • First Aid • COVID-19 Briefing



SUSTAINABILITY REPORT (cont'd)

Talent Retention and Attraction (401-1, 404-1, 404-2) (cont'd)

Training and Development (cont'd)

The COVID-19 pandemic has impacted our business operations, including the amount of training provided to our workforce. During this financial year, we recorded a total of 814.50 training hours with an average of 4.55 hours per employee. This figure is inclusive of our Tenaga Kerja Indonesia (TKI). Female employees received an average of 4.38 training hours whereas male employees received an average of 4.60 training hours. The highest amount of training was provided to management at 6.00 hours, followed by executives at 5.30 and non-executives at 4.00 hours.



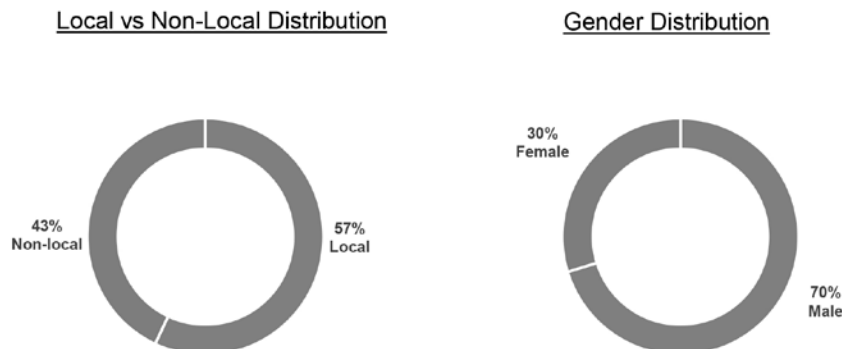
* Average training hours are calculated as total number of training hours divided by total number of employees who attended training

Diversity and Inclusiveness (102-7, 102-8, 405-1)

At Harn Len, we believe diversity and inclusiveness are important to value the contributions of employees with diverse experiences and perspectives. Our commitment to foster a culture that embraces diversity is the Diversity Policy which emphasises the fair treatment of all employees regardless of gender, race, cultural background, age, religion, belief or marital status. This policy is available on our corporate website and is monitored by the Board. The administration and implementation of the Diversity Policy is Management's responsibility.

In FY2020, our workforce spanning across Sarawak, Pahang and our headquarters, comprised 530 employees. This figure is inclusive of TKI employees as they make up all of our non-local workforce and contribute significantly to our business operations.

Although our employee demographic is male-dominated, which is true of the palm oil industry due to the physical nature of the work involved, we do not discourage women from joining our team. Currently, our workforce is 70% male and 30% female.



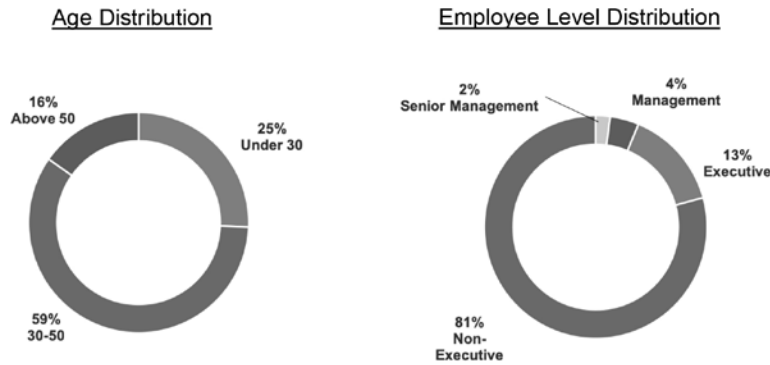
In terms of age distribution, most of our employees are within the 30 to 50-year age bracket. This age group is an asset to Harn Len as they have broad and sufficient industry experience. However, we also encourage ambitious new talents below the age of 30 with the propensity to learn to join our operations and contribute to the Group's progress towards the future.



SUSTAINABILITY REPORT (cont'd)

Diversity and Inclusiveness (102-7, 102-8, 405-1)

The majority (81%) of our employees are non-executives who work in our oil palm estates and mill.



Contribution to Society (413-1)

As a socially responsible corporate citizen, we strive to strengthen the development of the local communities and foster long-lasting relationships. Unfortunately, as a result of the COVID-19 outbreak, we were unable to organise events and programmes with the local community due to the MCO and government-enforced SOPs.

Provision of Food Baskets to Our Employees



CONCLUSION

Our commitment to sustainability is exemplified in the way we run our business operations and engage with stakeholders. With the changing weather patterns affecting global supplies of vegetable oils, Malaysian palm oil is poised to fill the demand for healthy oil products. With the MSPO certification and sustainable initiatives, we believe that Harn Len is on the right track to maintain stable growth in the industry. Moving forward, we hope to further invest in a more efficient and environmental-friendly palm oil production process, in order to raise our profile in the palm oil industry as a sustainable company.



SUSTAINABILITY REPORT (cont'd)

GRI CONTENT INDEX (102-55)

GRI Disclosure	Description	Section
GRI 102: General Disclosure	Organisational Profile	
	102-1: Name of the organisation	About this report
	102-2: Activities, brands, products and services	Report scope and boundaries
	102-3: Location of headquarters	Report scope and boundaries
	102-4: Location of operations	Report scope and boundaries
	102-7: Scale of organisation	Diversity and Inclusiveness
	102-8: Information on employees and other workers	Diversity and Inclusiveness
	102-9: Supply chain	Procurement Practices
	Ethics and Integrity	
	102-16: Values, principles, standards and norms of behaviour	Ethics & Integrity
	102-17: Mechanisms for advice and concerns about ethics	Ethics & Integrity
	Governance	
	102-18: Governance structure	Our sustainability governance structure
	102-19: Delegating authority	Our sustainability governance structure
	102-26: Role of highest governance body in setting purpose, values and strategy	Our sustainability governance structure
	102-29: Identifying and managing economic, environmental and social topics	Our sustainability governance structure
	102-35: Remuneration policies	Corporate Governance
	Stakeholder engagement	
	102-40: List of stakeholder groups	Engaging our stakeholders
	102-42: Identifying and selecting stakeholders	Engaging our stakeholders
102-43: Approach to stakeholder engagement	Engaging our stakeholders	
102-44: Key topics and concerns raised	Engaging our stakeholders	
Reporting Practice		
102-46: Defining report content and topic boundaries	Report scope and boundaries	
102-47: List of material matters	Our material sustainability matters	
102-50: Reporting period	About this report	
GRI 103: Management approach	103-2: Management approach	Corporate Governance, Responsible Agricultural Practice, Air Quality
GRI 200: Economic	Procurement Practices	
	204-1: Proportion of spending on local suppliers	Procurement Practices
	Anti-Corruption	
205-2: Communication and training about anti-corruption policies and procedures	Ethics & Integrity	
GRI 300: Environmental	Energy	
	302-1: Energy consumption within the organisation	Energy Management
	302-3: Energy intensity	Energy Management
	Water and Effluents	
	303-2: Management of water discharge-related impacts	Effluent and Waste
303-5: Water consumption	Water Management	



SUSTAINABILITY REPORT (cont'd)

GRI CONTENT INDEX (102-55)

GRI Disclosure	Description	Section
GRI 300: Environmental	Waste	
	306-2: Management of significant waste-related impacts	Effluent and Waste
	306-3: Waste generated	Effluent and Waste
	306-4: Waste diverted from disposal	Effluent and Waste
	306-5: Waste directed to disposal	Effluent and Waste
	Environmental Compliance	
307-1: Non-compliance with environmental laws and regulations	Regulatory Compliance	
GRI 400: Social	Employment	
	401-1: New employee hires and employee turnover	Talent Retention and Attraction
	Occupational Health and Safety	
	403-1: Occupational health and safety management system	Occupational Health and Safety
	403-2: Hazard identification, risk assessment and incident investigation	Occupational Health and Safety
	403-3: Occupational health services	Occupational Health and Safety
	403-4: Worker participation, consultation and communication on occupational health and safety	Occupational Health and Safety
	403-5: Worker training on occupational health and safety	Occupational Health and Safety
	Training and Education	
	404-1: Average hours of training per year per employee	Talent Retention and Attraction
	404-2: Programmes for upgrading employee skills and transition assistance programmes	Talent Retention and Attraction
	Diversity and Equal Opportunity	
	405-1: Diversity of governance bodies and employees	Diversity and Inclusiveness
	Freedom of Association and Collective Bargaining	
	407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Labour Rights
	Child Labour	
	408-1: Operations and suppliers at significant risk for incidents of child labour	Labour Rights
	Forced or Compulsory Labour	
	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labour	Labour Rights
	Local Communities	
	413-1: Operations with local community engagement, impact assessments and development programs	Contribution to Society
	Local Communities	
	419-1: Non-compliance with laws and regulations in the social and economic area	Regulatory Compliance

AUDIT COMMITTEE REPORT

A. COMPOSITION

The Company has established an Audit Committee (“Committee”) in line with Paragraph 15.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The Committee comprises the following four (4) members who are all Independent Non-Executive Directors:

Name	Position in the Committee
Mr. Loh Wann Yuan	Chairman
Brig. Jen. (B) Dato’ Ali Bin Hj. Musa	Member
Mr. Law Piang Woon	Member
En. Mohamed Akwal Bin Sultan Mohamad	Member

The Board of Directors (“Board”) appoints members of the Committee from amongst its members who fulfil the following requirements:

- (a) the Committee shall consist of not less than three (3) members;
- (b) all the Committee members shall be Non-Executive Directors, with a majority of them being independent; and
- (c) at least one (1) member of the Committee:
 - (i) shall be a member of the Malaysian Institute of Accountants;
 - (ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she shall have at least three (3) years of working experience and:
 - (aa) shall have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (bb) shall be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

B. MEETINGS

There were eight (8) meetings held for the financial year ended 31 December 2020. The attendance of members at Committee meetings convened during the financial year is furnished in the Corporate Governance Overview Statement in this Annual Report. During the financial year, the Committee met with the External Auditor privately twice without the presence of the Executive Directors and Management. These private sessions provided an avenue for the External Auditor to share freely with the Committee any concerns it might have during the course of its audit. The sessions also provided opportunities for the Committee to inquire into the co-operation extended by Management, including the supply of information to facilitate the conduct of the external audit and whether the External Auditor encountered any difficulty in obtaining such co-operation and information for the purpose of its work.

Meetings of the Committee are planned ahead so that the members can make the necessary arrangement to attend the meetings. The notice of meeting, together with meeting papers, is served to members of the Committee before each meeting to enable them to read, including an opportunity for them to inquire into the agenda items and request for more information, if needed, before the meeting.

At each Board meeting, the Committee Chairman briefs the Board pertaining to matters discussed at the Committee meeting held earlier. A copy of the minutes of the Committee meeting is also circulated to the Board for notation.

C. ROLES AND RESPONSIBILITIES

In compliance with the Main Market Listing Requirements of Bursa Securities, the roles and responsibilities of the Audit Committee, which are revised in response to changes in regulatory requirements insofar as the Committee is affected, are formalised in the Terms of Reference of the Audit Committee which is uploaded on the Company’s website at www.harmlen.com.my.



AUDIT COMMITTEE REPORT (cont'd)

D. AUTHORITY

The Committee has the authority to:

- investigate any matter within its terms of reference, any matter referred to it or that it has come across in respect of a transaction that raises questions on management integrity, possible conflict of interest, or abuse by a significant or controlling shareholder;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information which it requires in the course of performing its duties;
- have direct communication channels with the internal and external auditors;
- have direct authority over the internal audit function which is independent of Management and operations;
- obtain independent or external professionals or other advice and to secure the attendance of outsiders with the relevant experience and expertise, if it considers this necessary; and
- convene meetings with the external auditors, the internal auditors, or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

E. SUMMARY OF WORKS DURING THE FINANCIAL YEAR

The principal activities undertaken by the Committee during the financial year and up to the date of this report are summarised as follows:

- reviewed the unaudited quarterly financial announcements and year-end audited financial statements prior to recommending the same for the Board's approval, focusing particularly on significant and unusual events, going concern ability of the Group, and compliance with applicable financial reporting standards and provisions of other relevant standards, laws, and regulations. In reviewing the quarterly financial announcements, the Committee inquired from Management, inter-alia, matters pertaining to the Group's going concern assumption, liquidity position, creditors' ageing analysis, and status of significant transactions being undertaken;
- reviewed with Management the Group operating and financial budget/projections for 2020, covering capital commitments, cashflow forecast/projections, and the assumptions used in the projections;
- evaluated the performance of the External Auditor covering its calibre, requisite skills and expertise of the audit team, including its independence and professionalism before recommending to the Board to include the re-appointment of the External Auditor to be tabled for shareholders' approval at the Company's Annual General Meeting. In the evaluation which was conducted guided by the External Auditors Policy, the Committee also looked into the quantum of fees paid to the External Auditor and its affiliates to ensure the professional independence was not impaired with reference to pronouncements by professional bodies, e.g. the Malaysian Institute of Accountants. The amount of fees paid to the External Auditor and its affiliates for the financial year under review in respect of non-audit services rendered to the Group and the Company amounted to RM10,000;
- reviewed with the External Auditor the audit planning memorandum, comprising the scope of audit, key audit areas, contemplated key audit matters, audit approach, and timetable;
- met with the External Auditor twice during the financial year without the presence of the Executive Directors and Management to enable the External Auditor to voice any concerns it might have in the course of their work;
- reviewed the issues raised by the External Auditor, including opportunities for improvement to internal controls based on observations made in the course of the audit;
- discussed with the outsourced independent Internal Auditor the scope of coverage for the financial year and the Internal Audit Risk-based Methodology to be deployed on its work;
- reviewed the independence, competency, resources, and audit approach of the outsourced Internal Auditor;
- reviewed and approved the Internal Audit Plan tabled by the outsourced Internal Auditor, including the scope of coverage of work by the Internal Auditor for the financial year under review;
- reviewed the results of internal audit findings including follow-up on implementation of action plans addressing previous internal audit findings highlighted in the Internal Auditor's presentation deck to the Audit Committee;
- reviewed the related party transactions (including recurrent related party transactions) of the Group;
- reviewed the policies and procedures on the declaration and management of actual and potential conflict of interest situations within the Group;
- briefed by the Chairman of the Enterprise Risk Management ("ERM") Committee on a quarterly basis, focusing on the minutes of the ERM Committee meeting held earlier, covering the significant risks faced by the Group, including measures implemented by Management to mitigate the risks;



AUDIT COMMITTEE REPORT (cont'd)

E. SUMMARY OF WORKS DURING THE FINANCIAL YEAR (cont'd)

The principal activities undertaken by the Committee during the financial year and up to the date of this report are summarised as follows: (cont'd)

- reviewed the Audit Committee Report, Statement on Risk Management and Internal Control, and Circular to shareholders on Recurrent Related Party Transactions before recommending the same to the Board for approval; and
- briefed the Board the outcome of the meetings of the Committee, covering largely the work and results of the External and Internal Auditors, recurrent related party transactions, quarterly announcements and year-end financial statements as well as risk management update of the Group.

The dates for the Audit Committee meetings are pre-planned and communicated to the auditors in advance for them to prepare the Audit Review Memorandum, Audit Planning Memorandum and Audited Financial Statements for presentation to the Audit Committee to meet the respective deadlines.

The Group outsourced its internal audit function to an independent internal audit service provider, namely Ernst & Young Advisory Services Sdn. Bhd. The principal function of internal audit is to undertake systematic reviews of the internal control system within the Group in accordance with an approved internal audit plan, so as to provide assurance that such a system is adequate and functioning as intended. The Internal Auditor's responsibilities are to provide independent and objective reports on the state of internal controls of the various operating units within the Group to the Audit Committee and provide recommendations for the improvement of the control procedures, so that remedial actions are taken to mitigate weaknesses noted in the system and controls of the respective operating units.

Details of the internal audit activities and scope of coverage, including the cost incurred on the outsourced internal audit function, are set out in the Statement on Risk Management and Internal Control included in this Annual Report.

F. REVIEW OF THE AUDIT COMMITTEE

The Board, through the Nominating Committee, assessed the performance of the Committee in terms of its effectiveness and contribution of Committee members during the financial year under review to determine whether the Committee and its members have carried out their duties in accordance with the Committee's terms of reference approved by the Board.

This Report is dated 30 April 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) prescribe that the Board of Directors (“Board”) of a listed issuer must issue a statement about the state of risk management and internal control of the listed issuer as a group (hereinafter known as “Statement on Risk Management and Internal Control” or “Statement”). Bursa Securities also requires such a Statement to include sufficient and meaningful information to enable shareholders and other stakeholders make an informed assessment of the main features and adequacy of the listed issuer’s risk management and internal control system as a group.

In compliance with the above, the Board of Harn Len Corporation Berhad (“Company”) furnishes this Statement, which sets out the nature and scope of the system of risk management and internal control in the Group (comprising the Company and all its subsidiaries) for the financial year ended 31 December 2020 and up to the date of approval of this Statement for inclusion in the Company’s Annual Report. This Statement has considered and included the mandatory contents promulgated in the “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers”, a publication of Bursa Securities, which seeks to provide guidance to listed issuers in preparing the Statement.

BOARD’S RESPONSIBILITY ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for the Group’s system of risk management and internal control to protect shareholders’ investment and the Group’s assets, including the review of the adequacy and operating effectiveness of this system in meeting the Group’s corporate objectives. The Board is aware of the need to delineate clear roles and responsibilities towards discharging its fiduciary and leadership roles in tandem with the Principles, Practices and Guidance of the Malaysian Code on Corporate Governance (“MCCG”) issued by Securities Commission Malaysia. Accordingly, the Board is mindful of its key responsibilities, set out in the following Practices, including Guidance, of the MCCG in relation to risk management and internal control:

- **Practice 1.1 and Guidance 1.1**
The Board should:
 - ensure there is a sound framework for internal controls and risk management;
 - understand the principal risks of the Company’s businesses and recognise that business decisions involve the taking of appropriate risks;
 - set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage, and monitor significant financial and non-financial risks;
- **Practice 9.1**
The Board should establish an effective risk management and internal control framework; and
- **Practice 9.2**
The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

In view of the limitations inherent in any system of risk management and internal control, the Group’s system of risk management and internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group’s corporate objectives. The Group’s system of risk management and internal control can, therefore, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraudulent activity.

In applying Practice 9.1 of the MCCG, the Board has formalised an Enterprise Risk Management framework (“ERM Framework” or “Framework”) in 2007 with assistance from a reputable firm of consultants to provide insights on how pertinent risk management policies and procedures could be developed within the Group. These policies and procedures have since been revised from time to time to meet changing regulatory requirements and the needs of the Group.

This Framework, which sets out, inter-alia, policies and guidelines to streamline the Group’s risk management efforts and activities in a structured and holistic manner to safeguard shareholders’ investment and the Group’s assets, accords largely with the ISO31000 Risk Management Principles and Guidelines. With this Framework, the Board has established an on-going process to identify, evaluate, control, report, and monitor significant business risks faced by the Group on an ongoing basis. The Board, through its Audit Committee, reviews the outcome of the risk management and internal control process, including mitigating measures deployed by Management to address the key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Company’s Annual Report.



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

ERM FRAMEWORK AND INTERNAL CONTROL SYSTEM – KEY FEATURES AND FOCUS

Risk management is embedded in the Group's key business processes through its ERM Framework, which delineates, inter-alia, a step-by-step approach towards identifying and evaluating risks faced by business units and the Group. To streamline risk management processes and activities, the Board has developed the above-mentioned ERM Framework to be adhered to by business units across the Group. The ERM Framework embodies a structured assessment process, resulting in the compilation of specific risk profiles, i.e. summary of risks, of key business units and companies in the Group by the Enterprise Risk Management Committee ("ERM Committee"), including the quarterly update of risk profiles and reporting of the Group's top five (5) risks to the Audit Committee and Board, taking into account changes in business environment, regulatory requirements as well as emerging risks.

The individual risks in the profile are assessed on their likelihood of occurrence and the impact thereof based on a '4 by 4' risk matrix, using parameters, i.e. measuring yardsticks, established for the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be assessed in terms of likelihood of their occurrence and the impact thereof. This feature essentially articulates the Board's risk appetite, i.e. the extent of risk the Group is prepared to take or seek in achieving its business objectives.

Details of each specific risk are recorded in an individual risk register, documenting the risk description, risk ranking in terms of likelihood of occurrence and the impact thereof, based on the above-mentioned risk parameters, after considering the effectiveness of internal controls deployed by Management to address the risk, recommended additional action plans to mitigate the risk to an acceptable level, including the timelines for completion of action plans and the status of implementation. The risk ranking also considers the results of internal audit conducted by the outsourced internal audit function.

The ERM Committee comprises an Independent Director, two (2) Executive Directors, and several members of Management. During the financial year, the ERM Committee met four (4) times with deliberations that focused on the risk profile of the Group, status of action plans, and timelines to mitigate the significant risks identified, key indicators on Group's performance, status of capital expenditure (CAPEX Tracker), and policies and procedures, including status of internal audit and corrective action plans.

The ERM Committee, when reviewing the risk update by business units, enquires into the status of action plans undertaken by Management of the business units concerned before reporting to the Audit Committee and Board. The action plans that Management has taken and/or is taking to mitigate the risks to acceptable levels are reported by the Chairman of the ERM Committee to the Audit Committee and the outcome is documented in the Audit Committee meeting minutes. The Chairman of the ERM Committee thereafter briefs the Board on the activities undertaken by the ERM Committee, including the top five (5) business risks faced by the Group and the action plans taken by Management to mitigate the said risks to acceptable levels within specified timelines.

During the financial year under review, there were four (4) risk updates conducted by the Group with the results reported by the Chairman of ERM Committee to the Audit Committee and the Board for further deliberation and comments. The business risks as identified encompassed, inter-alia, risks on strategies, finance, operations, sustainability, including risks related to ethical conduct and anti-corruption, and regulatory compliance.

Besides those internal controls implemented by Management to address the risks as mentioned above and the appointment of an outsourced independent internal audit function, the Group's internal control system also encompasses the following salient aspects:

- an organisational structure with defined lines of responsibilities and levels of delegation and authority, including financial limits of authority in approving transactions and activities as well as the mandate to operate bank accounts. The structure also features reporting lines and segregation of duties for key processes like strategic management, operations, sales to collections, procure to pay, human resource, capital expenditure, estate and field management, inventory management, financial reporting, corporate affairs, and investments;
- the conduct of site visits by Senior Management to estates and business units which serve as physical checks on the operations of business units;



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

ERM FRAMEWORK AND INTERNAL CONTROL SYSTEM – KEY FEATURES AND FOCUS (cont'd)

Besides those internal controls implemented by Management to address the risks as mentioned above and the appointment of an outsourced independent internal audit function, the Group's internal control system also encompasses the following salient aspects: (cont'd)

- an annual budgetary exercise that requires business units to compile financial budgets which are then consolidated into the Group budget, presented to the Audit Committee for comments, and finally to the Board for further comments, if any, before approval. Quarterly review of the Group's performance is carried out at Audit Committee and Board meetings, where explanations on significant variances from preceding and year-to-date periods are provided by Management;
- significant changes in business development are reported by Management to the Board at scheduled meetings. This review enables the Board to evaluate and monitor the Group's business performance in relation to its strategic objectives;
- the Audit Committee, which is entrusted to oversee, inter-alia, the Company's financial reporting process, in particular the quarterly and annual announcements of the Group's financial performance, meets quarterly to review the announcements, seeks clarification and explanations from Management before recommending the announcements to the Board for approval;
- internal policies and procedures on key business processes are formalised in writing for adherence by personnel across the Group. These policies and procedures guide personnel on complying with internal control requirements and applicable laws and regulations, for example the Group has established a Code of Conduct and Employees handbook that set out acceptable and non-acceptable actions and behaviour by Directors and employees, as the case may be;
- a group-wide framework on corporate governance which covers, amongst others, a Code of Ethics and Conduct for Directors and employees which sets out the principles and standards of business ethics and conduct of the Group, policies and procedures on anti-corruption which were developed guided by the Guidelines on Adequate Procedures Issued Pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009, policies on conflict of interest within the Group, management of material sustainability risks of the Group, and workplace diversity through the Group's Diversity Policy; and
- structured whistleblowing policies and procedures are formalised in writing to enable employees to raise concerns in good faith about suspected or actual improprieties on matters of financial reporting, non-compliance with laws and regulations, malpractices, or unethical business conduct within the Group at the earliest opportunity and in an appropriate way without fear of reprisal.

INTERNAL AUDIT FUNCTION – ITS STRUCTURE AND SCOPE OF COVERAGE

Structure

The Group's internal audit function is outsourced to an independent professional firm, namely Ernst & Young Advisory Services Sdn Bhd. The appointment of this firm followed an assessment by the Audit Committee on its suitability and capability.

Scope of internal audit coverage

The internal audit function conducted an assessment of the Group's system of internal control for the financial year under review, focusing on selected major business processes of two major estates of the Group as well as the Company and reported its observations directly to the Audit Committee. The internal audit function was also tasked to conduct a follow-up on the status of implementation of action plans by Management on the recommendations highlighted in preceding cycles of internal audit, as deemed relevant. The Audit Committee took note of the issues raised.

The Internal Audit Plan which was approved by the Audit Committee was prepared based largely on the Group's financial information and the relative risks of the business units to the achievement of the Group's corporate objectives. The internal audit approach adopted was largely aligned with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, Inc., a globally recognised professional body for internal auditors.



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

INTERNAL AUDIT FUNCTION – ITS STRUCTURE AND SCOPE OF COVERAGE (cont'd)

Scope of internal audit coverage (cont'd)

A summary of the business processes and focus areas assessed by the Internal Audit function, including key internal controls deployed by Management in relation to these processes and their associated business risks, are summarised as follows:

Business Process and focus areas	Business Unit
Planning, execution, and monitoring of estate activities: <ul style="list-style-type: none"> • Execution of harvesting schedule; • Execution of field maintenance work plans; • Monitoring of contractors' workers; • Monitoring of Fresh Fruit Bunch ("FFB") harvesting and evacuation; • Implementation of maintenance, pruning, and manuring programs; • Reporting of harvesting rounds; 	Masranti Plantation Sdn. Bhd. Harn Len Pelita Bengunan Sdn. Bhd.
Sales and goods delivery management: <ul style="list-style-type: none"> • Weight recording at key control points in the delivery process • Monitoring of weight variances in the delivery process 	Masranti Plantation Sdn. Bhd. Harn Len Pelita Bengunan Sdn. Bhd.
Related party transactions: <ul style="list-style-type: none"> • Policies and procedures of related party transactions • Compliance with policies and procedures 	Harn Len Corporation Berhad as a Group
Follow up review on previous internal audit findings: <ul style="list-style-type: none"> • Items pending management action plans to address issues reported 	Harn Len Corporation Berhad as a Group

Internal audit observations on systems weakness and areas for improvement were included in the reporting decks presented by the internal audit function to the Audit Committee in November 2020 and March 2021 where the Audit Committee took note of the necessary action plans to be undertaken by Management for further follow-up and monitoring. .

The total cost incurred by the Group on the outsourced internal audit function for the financial year amounted to RM252,000.

External Auditor

The External Auditor, in the course of its statutory audit of the Group's and Company's financial statements, reviewed the Group's system of internal control to the extent of its planned reliance as laid out in its audit planning memorandum. Any significant deficiencies in internal controls identified during the audit, together with the improvement measures to strengthen internal controls, were reported in writing to the Audit Committee by the External Auditor by way of presentation deck.

In assisting the Board to assess the adequacy and operating effectiveness of the Group's risk management and internal control system, the Audit Committee reviewed the observations raised by the Internal and External Auditors, as well as actions taken by Management to address the areas of concern for the financial year ended 31 December 2020. The Audit Committee reported to the Board the outcome of its engagement with the Internal and External Auditors concerning the adequacy and operating effectiveness of the Group's system of risk management and internal control.



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

ASSURANCE BY THE GROUP MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance in writing from the Group Managing Director and Chief Financial Officer stating that the Group's risk management and internal control system has operated adequately and effectively, in all material aspects, for the financial year under review and up to the date of this Statement.

BOARD'S COMMENTS ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, through its Audit Committee and the ERM Committee, has reviewed the adequacy and operating effectiveness of the Group's risk management and internal control system, and that relevant actions have been or were being taken, as the case may be, to remedy the internal control weaknesses identified from the review.

The Board is of the view that the system of risk management and internal control, in place for the financial year under review and up to the date of this Statement, is sound and sufficient to safeguard shareholders' investment and the Group's assets. Whilst the Board is of the view that there were no material losses incurred during the financial year as a result of weaknesses in the risk management and internal control system, the Board believes that this system must continuously evolve to meet the changing business landscape and environment the Group operates in. Therefore, the Board continues to put in place action plans, as deemed appropriate, to strengthen the system of risk management and internal control from time to time.

INTERNAL CONTROLS RELATING TO COVID-19 EVENT

During FY2020, various degrees of Movement Control Orders ("MCOs") were imposed by the federal and state governments and had caused disruptions to the Group's operations. The Group's plantations and mill operations were allowed to operate during these MCOs but were limited to the extent and conditions, i.e. preventive measures and procedures, stipulated by the governments. The Group, spearheaded by the Group Managing Director, reviewed the relevant operational procedures to incorporate such measures and procedures with a view to safeguard the safety and health of all employees and adhere to the stipulated rules. The Group Managing Director also issued a communication memorandum to all employees reminding them of the priorities that the Group has adopted over such trying times to remain operational.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITOR

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditor has reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for the year ended 31 December 2020. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG3 does not require the External Auditor to consider whether the Statement of Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their procedures performed, the External Auditor has reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is it factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors dated 30 April, 2021.



ADDITIONAL COMPLIANCE INFORMATION

1. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred during the year by the Group for the financial year ended 31 December, 2020 are as follows :

Audit Fees :	RM
Grant Thornton Malaysia PLT	- 190,000
Non-Audit fee :	
Grant Thornton Malaysia PLT	- 10,000
Deloitte Tax Services Sdn Bhd	- 90,200
Ernst & Young Advisory Services Sdn Bhd	- 252,000 (inclusive RM90,000 for 2019 internal Audit fees booked in 2020)

2. Material contracts

The following material contracts were entered into within the two (2) years immediately preceding the date of this Annual Report 2020 :

A Sale and Purchase Agreement (SPA) was entered into between the Company and Far East Holdings Berhad on 29 April, 2019 for the disposal of 7 parcels of oil palm plantation lands held under HS(D) 3703 PT 166, HS(D) 3710 PT 259, HS(D) 3774 PT 313, HS(D) 3850 PT 345, HS(D) 67 PT 510, HS(D) 68 PT 521, HS(D) 69 PT 522, measuring approximately 2,124.5 hectares in total ("Lian Hup Estate") together with a palm oil mill and buildings erected thereon ("Lian Hup Mill") in the Mukim of Keratong within the District of Rompin, State of Pahang to Far East for a total cash consideration of RM182,990,400 (Ringgit Malaysia : One hundred Eighty-Two million, Nine Hundred Ninety Thousand and Four Hundred Only) (referred to the Proposed Lian Hup Disposal).

The Proposed Lian Hup Disposal was completed on 25 August, 2020.

3. Employees' Share Scheme (ESS)

The Company has obtained its shareholders' approval to establish an employees' share scheme ("ESS") on the 13 August 2019 for up to 15% of the total number of issued shares of the Company (excluding treasury shares). It comprises Shares Grant and Employee Share Options.

On the 15 January 2020, 4,633,000 Shares Grant and 4,943,000 Share Options were granted to eligible Directors, Senior Management and selected employees of Harn Len Group. The ESS shall be in force for a duration of five years which expires on the 14 January 2025.

During the year, 1,050,000 Share Options were exercised by the Directors and Senior Management of the Company.

The following table illustrates the number of share options granted to Directors and Senior Management, share options exercised by them during the year and the total outstanding since the commencement of the ESS:

	Total Share Options	Managing/ Deputy Managing/ Executive Directors	Senior Management
Number of share options granted	4,943,000	3,000,000	500,000
Number of share options exercised	(1,200,000)	(550,000)	(500,000)
Number of share options lapsed	(3,000)	-	-
Total outstanding	3,740,000	2,450,000	-



ADDITIONAL COMPLIANCE INFORMATION (cont'd)

3. Employees' Share Scheme (ESS) (cont'd)

Further information on the ESS are set out in the Directors' Report and Note 28 to the Audited Financial Statement for the financial year 2020 in this Annual Report.

With regards to the share options granted to the Directors and Senior Management during the financial year 2020:

- a) the aggregate maximum allocation is 80% of the total ESS options; and
- b) the actual percentage of share options granted to them as at 31 December 2020 was 70.80% of the total number of shares options granted.

4. Contracts Relating to Loan

There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding item.

5. Recurrent Related Party Transactions ("RRPT") of Revenue Nature

The details of the recurrent related party transactions of revenue or trading in nature undertaken by the Company during the financial period are disclosed in Note 29 of the financial statements.

6. Utilisation of Proceeds

The proceeds of RM2,800,000 raised from the Private Placement which was completed on 14 July, 2020, have been fully utilised for general working capital within the time frame of three months from date of listing of the Placement Shares.