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

ANNUAL REPORT 2019

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

CONTENTS

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

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

SECRETARIES
Ms Yong May Li (LS 0000295)
Ms Wong Chee Yin (MAICSA No. 7023530)
Ms Fong Siew Kim (MAICSA No. 7022188)
Ms Wendy Mak Mei Ching (MAICSA No. 7022764)

AUDITORS
Messrs Deloitte PLT
Chartered Accountants
No 21, Jalan Tun Abdul Razak
Susur 1/1, 80000 Johor Bahru

PRINCIPAL BANKERS
Public Bank Berhad
OCBC Bank (Malaysia) Berhad
Alliance Bank (Malaysia) Berhad
CIMB Bank (Malaysia) Berhad
Bangkok Bank (Malaysia) Berhad

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

WEBSITE : www.harnlen.com.my

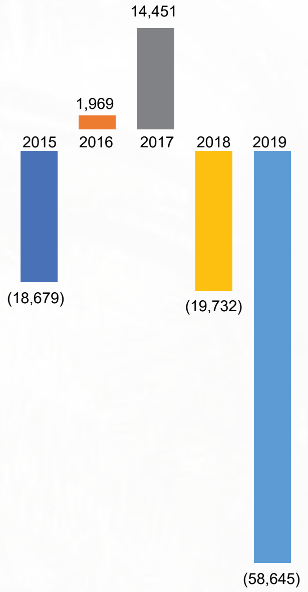
SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3 Bangsar South, No 8 Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Telephone No. : 603-2783 9299
Facsimile No. : 603-2783 9222

5 YEARS KEY STATISTICS

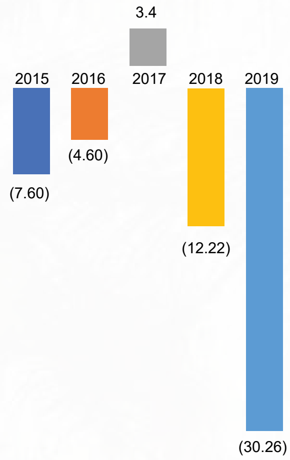
		Year				
		2019	2018	2017	2016	2015
FINANCIAL PERFORMANCE						
Revenue	(RM'000)	116,901	185,732	326,020	269,556	243,183
Profit / (Loss) From Operations	(RM'000)	(48,653)	(9,284)	21,285	7,155	(15,563)
EBITDA	(RM'000)	(27,742)	13,335	42,138	27,216	4,638
Profit / (Loss) Before Tax	(RM'000)	(58,645)	(19,732)	14,451	1,969	(18,679)
Taxation (Income)/Expense	(RM'000)	1,390	2,755	8,054	6,851	983
Profit / (Loss) After Tax	(RM'000)	(60,035)	(22,487)	6,397	(4,882)	(19,662)
Net Profit / (Loss) to equity holders	(RM'000)	(58,291)	(21,172)	6,119	(8,340)	(14,062)
Shareholders' Equity	(RM'000)	237,207	295,498	316,672	312,984	326,367
Total Assets	(RM'000)	514,306	567,420	552,032	497,114	463,338
Total Borrowings	(RM'000)	97,147	139,413	123,649	112,890	85,752
Return on Equity	%	(24.57)	(7.16)	1.93	(2.66)	(4.31)
PE Ratio (times)		N/A	N/A	18	N/A	N/A
Return on Total Assets	%	(11.33)	(3.73)	1.11	(1.68)	(3.03)
Gearing Ratios		1:2.44	1:2.12	1:2.56	1: 2.77	1: 3.81
Interest Cover (times)		(2.77)	1.28	6.16	5.23	1.48
Nett Debts to shareholders equity	%	41	47	39	31	21
Earnings Per Share-Basic	Sen	(30.26)	(12.22)	3.43	(4.60)	(7.60)
Net Assets Per Share	RM	1.30	1.64	1.72	1.69	1.69
Gross Dividend per share	Sen	-	-	-	-	-
Gross Dividend yield	%	-	-	-	-	-
Share Price at financial year end	Sen	58	34	62	80	100
ESTATES						
Planted area						
Mature	(ha)	14,269	13,269	11,387	10,855	11,867
Immature	(ha)	2,568	3,814	5,493	6,046	2,377
Total Planted Area	(ha)	16,837	17,083	16,880	16,901	14,244
FFB Production	(mt)	159,811	180,023	182,161	162,277	181,198
Yield Per Mature Hectare	(mt/ha)	11.200	13.5670	15.997	14.949	15.269
MILLS						
FFB Processed						
Own FFB	(mt)	146,246	180,023	182,161	108,055	132,536
Outside FFB	(mt)	75,303	141,889	214,281	324,087	322,923
Total	(mt)	221,549	321,912	396,442	432,142	455,459
Production						
Crude Palm Oil	(mt)	47,102	66,615	79,475	84,471	89,160
Palm Kernel	(mt)	9,521	14,424	17,111	17,914	20,634
Extraction Rate						
Crude Palm Oil Extraction Rate	(%)	21.26	20.69	20.05	19.60	19.58
Palm Kernel Extraction Rate	(%)	4.3	4.48	4.32	4.70	4.53
Average Selling Prices (Nett)						
Crude Palm Oil	(RM/mt)	2,040	2,257	2,766	2,549	2,084
Palm Kernel	(RM/mt)	1,139	1,706	2,432	2,332	1,432
Profile of Trees						
Immature (0-3 years)	Ha	2,568	3,814	5,493	6,046	2,377
Young (4-7 years)	Ha	3,827	2,808	1,057	3,734	3,644
Prime (8-19 years)	Ha	10,442	10,461	10,247	6,813	6,813
Past Prime (> 20 years)	Ha	0	0	83	308	1,410

Abbreviations
N/A - Not Applicable
NCR - Native Customary Rights
Ha - Hectare
Sq m - Square Meters
Sq ft - Square Feet

PROFIT / (LOSS) BEFORE TAX
(RM'000)



(LOSS) / EARNINGS PER SHARE-BASIC
(Sen)



TOTAL ASSETS
(RM'000)

SHAREHOLDERS'EQUITY
(RM'000)

DEPUTY EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

As a flow-through from the last financial year, the Company and its subsidiaries continued to face immense challenges throughout 2019 from economic factors in the form of sustained lacklustre commodity prices exacerbated by uncertainty in the global market, and subdued crop yields. Despite such obstacles, the Group remains collected and has taken proactive measures through certain corporate and rationalisation exercises to tackle the "bull by its horns" and, in so doing, address those headwinds that seem to be unabated. Such exercises are beginning to bear fruit, especially with the liquidity in the Group poised to improve in year 2020. Against such a backdrop, I wish to share with our esteemed shareholders and other stakeholders on how the Group performed for the financial year ended 31 December 2019.

Financial Performance

For the financial year under review, the Group recorded a loss after taxation of RM60 million as compared to a loss after taxation of RM22.5 million in the preceding year on the back of revenue of RM117 million and RM186 million for financial year 2019 and 2018 respectively. The average selling prices of Crude Palm Oil and Palm Kernel realised by the Group retreated by about 18% and 30% respectively for the year, and coupled with declining Fresh Fruit Bunch yield of about 15% in 2018, the effects were immediate on the Group's financial performance.

Cognisant of the urgency to redress the situation, the Group embarked on certain corporate exercises to unlock the value of its assets and at the same time deployed a strategic turnaround plan with specific counter-active measures to revitalise the financial standing and liquidity, including the earnings potential of the Group. Some of the key imperatives undertaken during the financial year are elucidated below:

Strategic imperatives embarked on by the Group

- The Sale and Purchase Agreement with Jotech Metal Fabrication Industries Sdn Bhd for the disposal of three (3) pieces of land together with factory buildings for a total sale consideration of RM19 million was completed in January 2019;
- The Group ceased its loss-making hotel operations on 28 February in view of low occupancy and high operating overheads. This invariably helped eased the operating cash flows of the Group. The Group managed to lease out the hotel floors during Quarter 3 of 2019 to an external party to augment the Group's performance;
- The Group entered into a Sale and Purchase Agreement with Far East Holdings Berhad to dispose of its Lian Hup Estate and Lian Hup Oil Mill for a cash consideration of approximately RM180 million, with shareholders' approval obtained via an Extraordinary General Meeting held on 13 August 2019. The conditions precedents to conclude the deal were fulfilled in May 2020;
- The Company carried out a Bonus Issue of Warrants for existing shareholders to provide them with an opportunity to increase their equity participation in the Company at a predetermined exercise price during the tenure of the Warrants and to provide the Group with additional working capital as and when the Warrants are exercised. The listing and quotation for the Warrants on the Main Market of Bursa Malaysia Securities Berhad was completed on 25 September 2019; and
- The Company implemented an Employees' Share Scheme on 3 September 2019, after obtaining approval from shareholders on 13 August 2019, to reward eligible Directors and employees of the Group for their contribution towards the Group and to create a sense of loyalty and ownership amongst the employees towards the Group, by giving them an opportunity to participate in the equity of the Company.
- embarking on a Strategic Turnaround Plan with the overall aim of bridging the funding mismatch and addressing, inter-alia, the following:
  - ceasing of the loss-making transport business;
  - rationalising the cost of operations, focusing on manpower and its deployment for more efficient use with the aim of containing the cost of production and operations;
  - spurring productivity towards enhancing the yield of crops and the oil extraction rates; and
  - trimming of non-priority spending, especially capital expenditure, to conserve cash.

DEPUTY EXECUTIVE CHAIRMAN'S STATEMENT (Cont'd)

Sustainability Practices

The Directors are mindful of the impact of the Group's operations upon the economic, environment and social aspects in the community it operates. As such, sustainability is a ubiquitous component of the Group's strategy to create long-term value for shareholders and other stakeholders. Besides embarking on viable economic activities, the Group is acutely aware of the need to embrace business practices that promote business continuity, for example the Group considers the welfare of the workforce in a holistic manner and the need to minimise carbon footprint in all that it does as a responsible corporate citizen towards preserving the environment. We are confident that with the Group's commitment to high standards of governance, ethics and integrity; deployment of meaningful sustainability practices, as well as continued investment in human capital development, we will be poised for future growth in our journey towards meeting the expectations of shareholders and other stakeholders. For more details of sustainability practices adopted by the Group and their associated implications, refer to the Sustainability Report included this Annual Report.

Prospects

The outlook for year 2020 remains difficult and challenging in view of the current trade war between USA and China, which seems unabated, and the global Covid-19 pandemic, which resulted in widespread imposition of travel restrictions, movement control orders and the constraints on business operations. The outbreak of Covid-19, coupled with the stringent measures taken by various countries to contain the spread, has impacted numerous industries, including those that the Group operates in. The Group will remain cautious and continue to chart out various strategies, which include efforts to increase efficiency and cost rationalisation to counter any negative impact that may arise in the coming years. We will continue our efforts to prepare and realign the Group's strategies for the challenges ahead and, I believe, with the strong foundation that we have laid over the years, and the capable leadership of our Management, the Group will successfully weather the headwinds in 2020.

Notwithstanding such negative outlook, the Group maintains a high resolve in focusing on existing as well as emerging initiatives to rationalise operational cost with a view of enhancing productivity and efficiencies, including the improvement of yield and oil extraction rates and trimming non-priority spending, all with the view of improving returns, strengthening cash flows and boosting the Group's overall financial performance going forward.

Acknowledgement

As in past years, I wish to express my heartfelt appreciation to our Board members, Management team and employees of the Harn Len Group for their invaluable and resolute dedication and commitment in coming to together to lead the Group forward to realise our aspirations.

My sincere gratitude also goes to our shareholders, financiers, business partners and regulators for the continuous support and confidence in the Harn Len Group, which are crucial to assist us to adapt in this changing marketplace and environment.

PUAN SRI DATIN CHAN PUI LEORN
Deputy Executive Chairman, 30 June 2020

PROFILE OF DIRECTORS

PUAN SRI DATIN CHAN PUI LEORN

NON-INDEPENDENT, EXECUTIVE

Puan Sri Datin Chan Pui Leorn (Puan Sri Datin Chan), aged 61, 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 21 of the Financial Statements.

LOW QUEK KIONG

NON-INDEPENDENT, EXECUTIVE

Low Quek Kiong ("Low QK"), aged 68, 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 21 of the Financial Statements.

PROFILE OF DIRECTORS (Cont'd)

LOW KUECK SHIN

NON-INDEPENDENT, EXECUTIVE

Low Kueck Shin, KMN ("Low KS"), aged 63, 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 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 21 of the Financial Statements.

LOW KWEK LEE

NON-INDEPENDENT, EXECUTIVE

Mr Low Kwek Lee ("KL Low"), aged 61, 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 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 21 of the Financial Statements.

PROFILE OF DIRECTORS (Cont'd)

LOW KUEK KONG ("LOW KK")

NON-INDEPENDENT, EXECUTIVE

Low Kuek Kong ("Low KK"), aged 53, 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 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 21 of the Financial Statements.

LOH WANN YUAN

SENIOR INDEPENDENT, NON- EXECUTIVE

Loh Wann Yuan, aged 51, 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.

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

INDEPENDENT, NON-EXECUTIVE

Brig. Jen. (B) Dato' Ali Bin Hj Musa ("Dato' Ali"), aged 77, 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.

PROFILE OF DIRECTORS (Cont'd)

LAW PIANG WOON

INDEPENDENT,
NON-EXECUTIVE

Law Piang Woon, aged 78, 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.

MOHAMED AKWAL SULTAN MOHAMAD

INDEPENDENT,
NON-EXECUTIVE

Mohamed Akwal Sultan Mohamad (En Akwal), aged 66, 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 Director 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.

PROFILE OF DIRECTORS (Cont'd)

LOW KOK YONG

NON-INDEPENDENT, EXECUTIVE

Low Kok Yong ("Low KY"), aged 34, 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 All China Federation Member of Returned Overseas Chinese 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.

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 21 of the Financial Statements.

LOW KOK YAOW

NON-INDEPENDENT, EXECUTIVE

Low Kok Yaow ("Low KYw"), aged 31, 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.

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 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 21 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, 41, 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 21 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, 2019

MDM LAI NYUK FAH
GENERAL MANAGER, SARAWAK OPERATIONS

Mdm Lai Nyuk Fah, 60, 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, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

This Statement provides a discussion and analysis of the Group's financial performance for the year ended 31 December 2019, including explanations for significant fluctuations over the preceding financial year. The Group's principal business segments, which remained unchanged from the last financial year, comprise Plantation and Hotel & Property Investment. The segmental activities of the Group are set out below:

Business Segments	Locations of segmental activities/operations
Plantation	The operation of oil palm estates, oil palm mill, sales and purchases of Fresh Fruit Bunches, sales and trading of crude palm oil and palm kernel and the provision of plantation development contract services to related parties and external customers in Pahang and Sarawak
Property, hotel and others • Hotel Operations • Property Investment • Others	 Johor Johor and Sarawak

2019 Financial Highlights

The Group's revenue and results before tax, including operating results from business segments, for the financial year under review and the preceding year are summarised as follows:

RM'000	2019	2018	Change (%)
Group revenue	**116,901**	185,732	(37)
Segments			
• Plantation	**113,714**	178,085	(36)
• Property, hotel and others	**3,187**	7,647	(58)
Group (loss) before taxation	**(58,645)**	(19,732)	(197)
Segments results			
• Plantations	**(39,331)**	971	(4,150)
• Hotels and Property Investment	**(3,630)**	(4,465)	19
(Loss)/Profit from Segment Operations	**(42,962)**	(3,493)	(1,130)

For the financial year ended 31 December 2019, the revenue and pre-tax results retreated significantly largely due to lower contribution from the Plantation division, both in terms of revenue and segment operating results. The lacklustre performance is attributable in a very big way to the sustained soft and sluggish commodity prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK") throughout the financial year, exacerbated by costs of financing resulting from borrowings to fulfil payment obligations and commitments of the Group. Some of the significant measures taken by the Board of Directors and Management during the financial year with the aim of ameliorating the situation and ultimately to turn the Group's fortune around include:

- ceasing the loss-making hotel operations end of February 2019 and letting out the hotel floors to an independent operator with revenue to be generated in 2020;
- entering into a Sale and Purchase Agreement in April 2019 with Far East Holdings Berhad to dispose of to the latter the Group's Lian Hup Estate and Lian Hup Oil Mill located in the district of Rompin, Pahang, for a cash consideration of approximately RM180 million;

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (Cont'd)

2019 Financial Highlights (Cont'd)

- carrying out a Bonus Issue of Warrants for existing shareholders to provide them with an opportunity to increase their equity participation in the Company at a predetermined exercise price during the tenure of the Warrants and to provide the Group with additional working capital as and when the Warrants are exercised. The listing and quotation for the Warrants on the Main Market of Bursa Malaysia Securities Berhad was completed on 25 September 2019; and
- embarking on a Strategic Turnaround Plan with the overall aim of bridging the funding mismatch and addressing, inter-alia, the following:
  - ceasing of the loss-making transport business;
  - rationalising the cost of operations, focusing on manpower and its deployment for more efficient use with the aim of containing the cost of production and operations;
  - spurring productivity towards enhancing the yield of crops and the oil extraction rates; and
  - trimming of non-priority spending, especially capital expenditure, to conserve cash.

Liquidity and Capital Resources

Cash and cash equivalents of the Group increased by RM175,000 during the financial year as compared to a decrease of RM3.5 million in 2018, culminating from the following cashflow activities:

Net cash generated from/ (used in)	**FY 2019 (RM'000)**	FY2018 (RM'000)	Changes (%)
Operating activities	**17,402**	59,879	(71)
Investing activities	**13,162**	(50,744)	126
Financing activities	**(30,389)**	(12,624)	(141)
Increase/ (Decrease) in cash and cash equivalents	**175**	(3,489)	105

The movements in cash and cash equivalents are mainly due to the following:
- the decline in cashflows from operating activities on the timing of collection of receivables, both trade and non-trade, and payment of obligations as well as adverse effects from overall decline in crop yield and depressed prices of CPO and PK throughout the financial year;
- the improved cashflows from investing activities was largely due to rationalisation of capital expenditure to focus on those urgent spending and the collection of proceeds from the sale of the Group's non-core assets; and
- the reduction in financing activity cashflows resulted mainly from the retirement of borrowings to pare down gearing from the sale of non-core assets proceeds.

The Group's capital resources consist of primarily cashflows generated by operating activities, cash and cash equivalents, and available lines of credit. As at 31 December 2019, the Group's gearing ratio and other relevant indicators are tabulated below:

Key indicators	**31 December 2019**	31 December 2018
Shareholders' Equity (RM'000)	**237,207**	284,578
Total Assets (RM'000)	**514,306**	567,420
Borrowings (current and long- term) (RM'000)	**97,147**	139,413
Gearing (Debt/Equity)	**0.41**	0.49

With the gearing ratio remaining relatively unchanged during the year, the Group continues to maintain a prudent and cautious stance on managing its capital resources to enable the availability of funds to meet operational requirements and capital expenditure from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (Cont'd)

Segment results and analysis

Plantation

The plantation division, which is primarily located in Pahang and Sarawak, continues to be the Group's core business, generating operating cashflows annually as a driver of growth from the sale of CPO and PK although its performance was adversely affected by declining crop yield and the soft commodity market throughout the financial year.

The maturity profile of planted areas and their associated yield performance, including the various key indicators on plantation operations, are set out below:

Profile of maturity	Hectares		
	Mature (4 years and beyond)	Immature (0-3 years)	Total
2019	**14,269**	**2,568**	**16,837**
2018	13,269	3,814	17,083
2017	11,387	5,493	16,880
2016	10,855	6,046	16,901

Yield Performance	Hectares						
	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
FY2019	**159,811**	**11.200**	**221,549**	**47,102**	**9,521**	**2,040**	**1,139**
FY2018	180,023	13.567	321,912	66,615	14,424	2,257	1,706
FY2017	182,161	15.997	396,442	79,475	17,111	2,766	2,432
FY2016	162,277	14.949	432,142	84,471	17,914	2,549	2,332

Set out below is a summary of the quarterly average selling prices of CPO and PK for FY 2019 as compared to 2018, which contributed to the Group's revenue reduction during the financial year:

Average Selling Price RM per MT	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	FY 2019	FY 2018	**FY 2019**	FY 2018	**FY 2019**	FY 2018	**FY 2019**	FY 2018
CPO	**1,889**	2,390	**1,938**	2,370	**1,991**	2,215	**2,248**	2,129
PK	**1,207**	2,236	**1,052**	1,655	**1,075**	1,663	**1,177**	1,418

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (Cont'd)

Segment results and analysis (Cont'd)

Fresh Fruit Bunches - Oil Extraction Rates

Oil Extraction Rates (%)	**FY2019**	FY2018	FY2017	FY2016
Crude Palm Oil	**21.26**	20.69	20.05	19.60
Palm Kernel	**4.3**	4.48	4.32	4.70

The Plantation division recorded a 36% drop in revenue from the preceding year, amounting to RM64 million, largely attributed to the following:

- decline in tonnage sold with production of CPO reducing by 29% and PK by 34% during the year, largely due to the lower yield per hectare of mature planted area and, by extension, the reduced quantity of FFB processed by 31%;
- marked downturn in average commodity prices during the financial year of approximately 10% and 33% for CPO and PK respectively;
- the capacity of mills which was not optimally utilised due to lower availability of crops, resulting in fixed production overheads not being absorbed; and
- the improved oil extraction rate for CPO was not significant enough to boost revenue.

The Plantation division continues to face challenges, not only in terms of depressed commodity prices but also the availability of workers in the field, which is an industry issue. To address this, Management has embarked on measures to re-deploy existing workforce towards prioritised activities to enhance efficiency in the perspectives of yield, oil extraction rates and utilisation of mills.

Hotel Operations

2019 was a challenging year for the hospitality and tourism industry, in particular Johor, and it is no thanks to the ubiquitous competition in the market place which intensified with the proliferation of boutique hotels as well as the availability of Airbnb facilities in downtown Johor Bahru which offered unbelievable rates just to secure market share. Our Hotel division, operating under the name of Tropical Inn, was invariably impacted by such competition. In view of recurring losses, the Group ceased its Hotel operations at end of February 2019 and has taken the imperative to let out the hotel floors, with income expected to be generated in 2020.

Property Investment Operations

This division focuses on letting out the Group's properties, namely the Group's main building at Johor Tower, to tenants based on agreements which are renewal. 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)
FY2019	116,272	2.00
FY2018	79,400	2.36
FY2017	88,021	2.23

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (Cont'd)

Risk Management and Key Measures Taken

The Board of Directors ("Board") and Management are mindful of the vagaries of risks as the Group goes about its business operations. The key risks, which have been identified by the Enterprise Risk Management Committee and escalated to the Audit Committee and Board, cover mainly liquidity, manpower requirements in the Plantation division and rationalisation of costs to remain viable in the face of lacklustre commodity prices and sustained soft market. Pertinent measures have been taken by the Group to hive off non-core assets as well as unlocking the value of its selected estate and oil mill via the disposal of one of the Group's estates located in Pahang, together with an oil mill, to generate proceeds of approximately RM180 million.

Dividend Policy

The Group does not have a policy on dividend pay-out even though in past years, the Company declared dividends to shareholders. Considering the Group's current financial situation and the need to conserve funding for working capital and capital expenditure, the Board does not recommend the payment of any dividend for the financial year ended 31 December 2019.

Outlook and Prospects

As we entered 2020, there are concerns over the impact of the economic fallout from the coronavirus pandemic that may drive the global economy into recession. Unprecedented policies to control, mitigate and prevent the spread of this new virus have all resulted in the world under near-complete lockdown since March 2020. Employers have both been struggling to keep their businesses afloat, with many trying to balance between lower revenue and fixed overheads. In Malaysia, the Federal Government has announced an initial RM250 billion stimulus package in March 2020 which comprises loan deferments, one-off cash assistance, credit facilities and rebates. Subsequently, an additional RM10 billion stimulus package was introduced to alleviate the plight of small and medium sized enterprises. However, the recent oil price slump and the expected lower revenue to the country's coffer may take its toll on the development plan within the country.

The International Monetary Fund (IMF) has concluded that recession in 2020 is inevitable and it is a challenge to predict the exact time when the global business and supply chain will return to normal. Against such backdrop, the Group has taken active cost containment measures and review of businesses and opportunities. The Group will remain cautious in addressing these challenges head on, through the implementation of proactive and robust policies to ensure its continued sustainability.

The commodity prices has fallen from 3 years highest in beginning of the year since the coronavirus outbreak and country lockdown globally. Though, it is very difficult to forecast future price trends with uncertainties on global economy recovery, the Board believe that CPO being the essential item coupled with the possible support from replenishment of stock following the gradual reopening of major economies globally would hold the full year average price to be higher than year 2019. The Board expects a tough and challenging year for the Group and will adopt a vigilant and prudent stance, in particular decisions in non-core projects that require significant cash outflows.

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 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:

- Review and adopt a strategic plan for the Company and its subsidiaries to achieve corporate goals;
- Oversee the conduct of the Group's business by reviewing the financial and other performance of the Group as well as Management;
- Identify principal business risks and ensure the implementation of appropriate internal controls and mitigation measures;
- Oversee the development and implementation of a shareholder communications policy for the Company; and
- Review the adequacy and operating effectiveness of the Group's internal control system.

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.

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:

- Lead the Board in its responsibilities over the business and affairs of the Company and its oversight of Management;
- Oversee the Board in the effective discharge of its stewardship role;
- The efficient organisation and conduct of the Board's function and meetings;
- Facilitate the effective contribution of all Directors;
- Brief all Directors in relation to issues arising at meeting;
- Promote constructive and respectful relations amongst Board members and between the Board and Management; and
- Ensure periodic evaluation of the Board's performance.

In carrying out her role, the DEC works with the Group Managing Director, 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 Group Managing Director, assisted by fellow Executive Directors. 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 Conduct and Ethics for its Directors and employees, available on the Company's website. The Board also has established Whistle Blowing 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. The Whistle Blowing Policies and Procedures are available on the Company's website at www.harnlen.com.my

Directors have 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.

Continuous Professional Development

The Board encourages its members to be equipped via continuing education programme to better serve the Company's interests. Directors are updated periodically by way of circulars on matters relating to changes to the Main Market Listing Requirements of Bursa Securities and are briefed by the Company Secretaries at Board Meetings, including their implications to the Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Continuous Professional Development (Cont'd)

Details of training 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.	Corporate Liability: Provision under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 by CIS South Key Sdn. Bhd.	21.11.19	Puan Sri Datin Chan Pui Leorn Low Quek Kiong Low Kueck Shin Low Kwek Lee Low Kuek Kong Loh Wann Yuan Brig Jen (B) Dato' Ali Bin Haji Musa Law Piang Woon Low Kok Yaow
2.	MBRS for Preparers of Financial Statements by Suruhanjaya Syarikat Malaysia and Institute of Approved Company Secretaries	9.1.19 and 10.1.19	Low Kueck Shin
3.	Company Secretarial Practice under the Companies Act 2016 (Part 3) by Institute of Approved Company Secretaries	13.3.19	
4.	Updates of Annual Return, AGM, Audit & Financial Statements – Obligations & the Future by Institute of Approved Company Secretaries	8.5.19	
5.	Corporate Governance: New Perspectives and Developments for Board of Directors and Secretaries by MAICSA	11.10.19	
6.	Members' Voluntary Winding-Up & Strike-Off under the Companies Act 2016 by Institute of Approved Company Secretaries	22.8.19	
7.	Raising Defences: Section 17A, MACC Act 2009	13.10.18	Low Kok Yong
8.	Cybersecurity in the Boardroom by Deloitte	27.6.19	Mohamed Akwal bin Mohamad
9.	Case Study Workshop for Independent Directors by Securities Industry Development Corporation	9.10.19	
10.	Evaluating Effectiveness Internal Audit Function – Audit Committee's Guide on How To (A Programme for Audit Committee members) by Institute of Internal Auditors	15.10.19	

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 Main Market 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 page 7 to 11 of the Company's 2019 Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

II. BOARD COMPOSITION (Cont'd)

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. This 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 during 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 Main Market 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 adopted by the Board. Following the NC's recommendation, the Board is of the opinion that the independence of existing INEDs remain 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.

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 collectively 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;

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: (Cont'd)

- Assessed the effectiveness of the Board as a whole, the Board Committees and 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 four (4) members, three (3) of whom are INEDs with the remaining one an ED. 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. (Remark – The ED who is a Remuneration Committee has retired on 28 June, 2019)

The Board has adopted the said policies as deliberated by the RC, with the Director interested abstaining from discussion, to determine the remuneration of Directors in alignment with the Company's business strategy and long-term objectives. 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 of INEDs comprises fees and other allowances. The Board ensures that the remuneration for Independent Non-Executive Directors 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 2019 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

Meetings of the Board and Board Committees

During the financial year, the Board convened seven (7) meetings whilst the Audit Committee, Nominating Committee and Remuneration Committee held seven (7), one (1) 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	6/7	NA	NA	NA	NA
2.	Mr. Low Quek Kiong	7/7	NA	NA	NA	1/1
3.	Mr. Low Kueck Shin	6/7	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. Lee Chon Sing (Retired on 28 June 2019)	2/4	NA	NA	0/1	NA

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

Meetings of the Board and Board Committees (Cont'd)

During the financial year, the Board convened seven (7) meetings whilst the Audit Committee, Nominating Committee and Remuneration Committee held seven (7), one (1) and one (1) meetings respectively. The attendance of the members at the said meetings is set out below: (Cont'd)

	Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee	Employees' Share Scheme Committee
7.	Mr. Low Kok Yong	6/7	NA	NA	NA	NA
8.	Mr. Low Kok Yaow	7/7	NA	NA	NA	NA
9.	Mr. Loh Wann Yuan	7/7	7/7	1/1	1/1	NA
10.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	6/7	7/7	1/1	1/1	NA
11.	Mr. Law Piang Woon	6/7	6/7	1/1	NA	1/1
12.	En. Mohamed Akwal bin Sultan Mohamad	7/7	7/7	1/1	1/1	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 – EFFECTVE 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. 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 48 to 50 of this Annual Report. 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 Main Market 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE B – EFFECTVE AUDIT AND RISK MANAGEMENT (Cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (Cont'd)

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 are reported directly to the AC, including the corrective actions agreed by Management. For more details of the internal audit function, refer to the Statement on Risk Management and Internal Control which is included in 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 of 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 19th AGM held on 28 June 2019, all the Directors, save for the Director retiring at that meeting, 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.

An EGM of the Company was held on 13 August 2019 to approve the disposal of the Group's plantation assets situated in Pahang, the bonus issue of free warrants for existing shares held in the Company; and establishment of an Employees' Share Scheme of up to 15% of the total number of the Company's issued shares. All the Directors were present to handle questions raised by shareholders.

This Statement is dated 30 June, 2020

SUSTAINABILITY REPORT

ABOUT THIS REPORT [102-1]

This sustainability report is the fourth publication by Harn Len Corporation Bhd ("Harn Len" or the "Group") which aims to provide an overview of the sustainability efforts and approaches undertaken by the Group. This report highlights the significant contribution made by Harn Len in addressing its Economic, Environmental and Social (EES) impacts and how the Group is managing the EES risks arising from our operational activities.

In 2019, we reassessed our material sustainability matters to better suit the current sustainability topics relevant to oil palm industry as well as to represent latest EES priorities to the Group. We hope by doing this, we are more cognisant about our EES impacts and it will guide us to improve our management approaches.

This year, we are proud to announce that we have successfully obtained the Malaysian Sustainable Palm Oil certification for our oil palm plantations and palm oil mills except Senang Estate and Masranti Sebangkoi Sdn Bhd. During the preparation of this statement, Senang Estate is in the midst of obtaining the certification and this shall be reported in next year's statement. By virtue of this certification, we are committed to practice sustainable business approaches and minimise negative impacts to the environment surrounding our operations.

Report Scope and Boundaries [102-2, 102-3, 102-4, 102-46]

This report outlines sustainability efforts carried out by our operations as listed below. The scope and boundaries are determined based on operations with major revenue contributions to the Group where the main operational activities are conducted. Our oil palm plantations are spread across Sarawak and Pahang and we have one palm oil mill in Sarawak.

This report also covers activities in our main offices in Johor Bahru, Johor and Kuching, Sarawak.

Company	Business Activities	Location of operations
Harn Len Corporation Bhd	Main office	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	Simunjan
Harn Len Pelita Bengunan Sdn Bhd	Oil palm estate	Sri Aman

102-1: Name of the organisation
102-2: Activities, brands, products, and services
102-3: Location of headquarters
102-4: Location of operations
102-46: Defining report content and topic Boundaries

SUSTAINABILITY REPORT (Cont'd)

Reporting Period [102-50]

Details included in this report refer to the financial year period from 1st January 2019 to 31st December 2019, unless indicated otherwise.

Reporting Approach [102-54]

This sustainability report is prepared in accordance with the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") and its Sustainability Reporting Guide 2018. This report references the GRI Standards 2018 (Standards). Specific content used from the Standards are listed as below:

- GRI 102-1, 102-2, 102-3, 102-4, 102-7, 102-8, 102-9, 102-15, 102-17 until 102-19, 102-21, 102-23, 102-26, 102-29, 102-32, 102-40 until 102-44, 102-46, 102-47, 102-50, 102-53, 102-54, 102-55
- GRI 102-1, 103-2
- GRI 201-1, 201-2, 204-1, 205-2
- GRI 302-1, 302-2, 303-2, 303-5, 306-2
- GRI 401-1, 403-1, 403-2, 403-4, 403-5, 404-1, 405-1, 407-1, 408-1, 409-1, 413-1

102-50: Reporting period
102-54: Claims of reporting in accordance with the GRI Standards

SUSTAINABILITY AT HARN LEN

As a certified organisation to the Malaysian Sustainable Palm Oil (MSPO), we recognise our duty towards implementing responsible agricultural practices and continuing our efforts in managing operational impacts on the EES areas. We align our sustainability approaches with the United Nations Sustainable Development Goals ("SDGs") for the aim of further internalising our sustainability initiatives and contributing to the achievement of the SDGs.

In 2019, we identified 10 SDGs that are relevant to our business activities and sustainability efforts carried out in our operations.

SDGs	Goal	Harn Len's Contribution
	• End poverty in all its forms everywhere	• Enhancing rural development by establishing estates and mills • Creating job opportunities and higher income sources for the local residents including indigenous people
	• End hunger, achieve food security and improved nutrition and promote sustainable agriculture	• Producing high quality palm oil that is safe for consumption and accessible to the general public through local markets
	• Ensure healthy lives and promote well-being for all at all ages	• Maintaining good health and well-being of workers through creating a conducive and safe working environment for all
	• Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	• Providing development opportunities to employees to enroll into diploma programme pertaining to plantation management

SUSTAINABILITY REPORT (Cont'd)

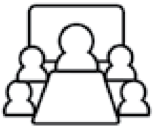
SUSTAINABILITY AT HARN LEN (Cont'd)

SDGs	Goal	Harn Len's Contribution
6 CLEAN WATER AND SANITATION	• Ensure availability and sustainable management of water and sanitation for all	• Ensuring clean sources of water supply on plantation grounds for consumption of plantation workers
8 DECENT WORK AND ECONOMIC GROWTH	• Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	• Creating employment opportunities and contributing to Malaysia's annual palm oil revenue • Ensuring healthy and safe working conditions at all operating units • Enforcing human rights and labour rights • Ensuring fair treatment and opportunities at the workplace
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Ensure responsible consumption and production patterns	• Using natural resources efficiently by reusing empty fruit bunch (EFB) as fuel resource • Developing standards to ensure compliance to MSPO certification
13 CLIMATE ACTION	• Take urgent action to combat climate change and its impacts • Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	• Ensuring responsible agriculture practice by implementing Zero Burning Policy
15 LIFE ON LAND	• Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss	• Establishing protected areas for riparian vegetation that are rich in biodiversity within our operating grounds
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	• Ensuring compliance with national laws and regulations • Obtained MSPO certification in 2019

SUSTAINABILITY REPORT (Cont'd)

OUR SUSTAINABILITY LEADERSHIP [102-18, 102-19, 102-23, 102-26, 102-29, 102-32]

Harn Len institutionalises sustainability at the Board of Directors ("Board") level as we believe this enhances accountability and commitments to sustainability initiatives and performance. The Board is committed to ensure that a sustainability culture is embedded throughout the Group. In realising this, the Board is assisted by the Sustainability Committee ("SC") which is responsible to work towards identifying, implementing and monitoring sustainability initiatives and parameters.

	**BOARD OF DIRECTORS** • Provides a final approval on sustainabilty-related policies, initiatives and identified material issues relevant to the Company • Oversees overall progress of sustainability efforts implemented by the "SC"
	**SUSTAINABILITY COMMITTEE ("SC")** • Led by the Chairman who reports to the Board of Directors on the initiatives of the "SC" • Recommends sustainability-related policies to be implemented throughout the Company • Periodically reviews the implemented sustainability policies and initiatives • Recommends amendments to the sustainability policies and initiatives • Recommends sustainability matters identified as material to the Company • Highlights any material non-compliance issues to the Board of Directors • Reviews and monitors the Company's enforcement of policies with regards to maintaining compliance with applicable jurisdictional laws, regulations and policies

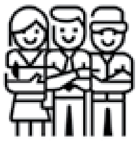
102-18: Governance structure
102-19: Delegating authority
102-23: Chair of the highest governance body
102-26: Role of the highest governance body in setting purpose, values, and strategy
102-29: Identifying and managing economic, environmental, and social impacts
102-32: Highest governance body's role in sustainability reporting

OUR STAKEHOLDERS [102-21, 102-40, 102-42, 102-43, 102-44]

At Harn Len, we actively communicate with our stakeholders to ensure accomplishment of our target; understand and manage various stakeholder expectations. Engagement includes formal and informal sessions such as client meeting, feedback sessions, community programmes, inspection and circulation of memo, among others.

STAKEHOLDER GROUPS	AREAS OF INTEREST	MODE OF ENGAGEMENT	FREQUENCY	HARN LEN'S RESPONSE
Investors 	• Sustainability and maximization of shareholder value • Financial performance and business strategy	• Annual General Meeting • Annual report • Company website	• Yearly • Yearly • As and when necessary	• Regular engagement session with investors such as financial results announcement and Annual General Meeting

OUR STAKEHOLDERS **[102-21, 102-40, 102-42, 102-43, 102-44]** (Cont'd)

STAKEHOLDER GROUPS	AREAS OF INTEREST	MODE OF ENGAGEMENT	FREQUENCY	HARN LEN'S RESPONSE
Employees 	• Performance management • Learning and development • Industrial harmony • Equitable remuneration	• Circulation of internal memos • Management meetings • Performance appraisals • Training and product knowledge	• As and when necessary • Monthly / Quarterly • Yearly • As and when necessary	• Training and development opportunities provided to employees *Details can be found under 'Training and Development'*
Customers 	• Efficient complaints resolution • Customer-company relationship management • Safety and security	• Regular client meetings • Feedback sessions • Community and networking events	• Scheduled meeting • As and when necessary • Ad-hoc	• Routine visits to customers' facilities to check on product delivery and to obtain feedback on our products
Regulatory Agencies and Statutory Bodies 	• Labour practices • Occupational safety and • health • Environmental management and compliance	• Inspection by local authorities • General meetings between managers and local regulators • Direct meetings and audits	• Yearly/As required • As and when necessary • Scheduled meeting	• Human Rights and Labour Rights Policy • Occupational Safety and Health Policy • Appointed safety and health officer • Conducted Hazard Identification, Risk Assessment and Risk Control (HIRADC) • Conducted Chemical Health Risk Assessment (CHRA) • MSPO certification • Monitoring of environmental parameters *Details can be found under 'Labour Rights', 'Occupational health and Safety' and Our Environmental Impact'*

SUSTAINABILITY REPORT (Cont'd)

OUR STAKEHOLDERS [102-21, 102-40, 102-42, 102-43, 102-44] (Cont'd)

STAKEHOLDER GROUPS	AREAS OF INTEREST	MODE OF ENGAGEMENT	FREQUENCY	HARN LEN'S RESPONSE
Suppliers	• Transparent procurement practices • Service and delivery • Fair contract terms	• Evaluation and performance reviews • Vendor registration • Fair contract negotiations	• Yearly • As required • Always	• Conducted vendor performance evaluation *Details can be found under 'Our procurement Practices'*
Local Communities	• Social issues • Transparency and accountabilities to the communities • Environmental impact	• Festival season celebrations and events with local communities • CSR activities • Community engagement	• Per event • Per event • Always	• Organised Tutup Gawai Festival and Hari Raya thanksgiving • Contribution to schools *Details can be found under 'Our Community Development'*

102-21: Consulting stakeholders on economic, environmental, and social topics
102-40: List of stakeholder groups
102-42: Identifying and selecting stakeholders
102-43: Approach to stakeholder engagement
102-44: Key topics and concerns raised

MATERIALITY MATRIX [102-15, 102-47]

This year, we reassessed our list of material sustainability matters as we observed the need to better represent our sustainability topics with current market outlook and requirements. We have identified 15 material matters and ranked their importance to business operations and stakeholders using the weighted ranking method. The Sustainability Committee and the key person-in-charge for the Group were involved in this materiality assessment session.

102-15: Key impacts, risks, and opportunities
102-47: List of material topics

SUSTAINABILITY REPORT (Cont'd)

MAPPING OF MATERIAL SUSTAINABILITY MATTERS TO SDGS [102-15, 102-47]

We believe that any initiative carried out by the Group towards enriching local community, protecting the environment and caring for employees and communities, contribute to the achievement of SDGs. We mapped our material sustainability matters to the identified SDGs focus areas, to showcase our approaches in addressing gaps towards a sustainable palm oil industry.

	MATERIAL SUSTAINABILITY MATTERS	CORRESPONDING GRI ASPECTS	STAKEHOLDERS INTEREST	RELEVANT SDGs
GOVERNANCE	**Corporate Governance**	General Disclosures	Employees, Investors	8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
GOVERNANCE	**Ethics & integrity**	General Disclosures	Employees, Suppliers	8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
GOVERNANCE	**Regulatory Compliance**	Environmental Compliance, Socioeconomic Compliance	Employees, Investors, Regulatory Agencies and Statutory Bodies	6 CLEAN WATER AND SANITATION; 13 CLIMATE ACTION; 15 LIFE ON LAND
ECONOMIC	**Procurement Practices**	Procurement Practices	Suppliers	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
ENVIRONMENTAL	**Air quality**	Emissions, Environmental Compliance	Local Communities, Regulatory Agencies and Statutory Bodies	13 CLIMATE ACTION; 15 LIFE ON LAND
ENVIRONMENTAL	**Effluent & Waste**	Effluents and Waste, Environmental Compliance	Local Communities, Regulatory Agencies and Statutory Bodies	6 CLEAN WATER AND SANITATION; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
ENVIRONMENTAL	**Responsible Agricultural Practice**	Environmental Compliance	Local Communities, Regulatory Agencies and Statutory Bodies Investors, Customers	2 ZERO HUNGER; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 15 LIFE ON LAND
ENVIRONMENTAL	**Human-Animal Conflict**	Biodiversity	Local Communities, Investors and Regulatory Agencies and Statutory Bodies	15 LIFE ON LAND
ENVIRONMENTAL	**Energy Management**	Energy	Local communities, Investors	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
ENVIRONMENTAL	**Water Management**	Water and Effluents	Local Communities, Investors	6 CLEAN WATER AND SANITATION; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SUSTAINABILITY REPORT (Cont'd)

MAPPING OF MATERIAL SUSTAINABILITY MATTERS TO SDGS [102-15, 102-47] (Cont'd)

	MATERIAL SUSTAINABILITY MATTERS	CORRESPONDING GRI ASPECTS	STAKEHOLDERS INTEREST	RELEVANT SDGs
SOCIAL	**Contribution to Society**	Employment, Rights of Indigenous People, Local Communities	Local Communities	1 NO POVERTY, 2 ZERO HUNGER, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Labour Rights	Employment, Occupational Health and Safety, Diversity and Equal Opportunity	Employees Regulatory Agencies and Statutory Bodies	8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Talent Retention & Attraction	Training and Education	Employees	4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH
	Occupational Safety and Health	Occupational Health and Safety	Employees and Regulatory Agencies and Statutory Bodies	3 GOOD HEALTH AND WELL-BEING, 6 CLEAN WATER AND SANITATION, 8 DECENT WORK AND ECONOMIC GROWTH
	Diversity & Inclusiveness	Employment, Diversity and Equal Opportunity, Customer Health and Safety	Employees	8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

102-15: Key impacts, risks, and opportunities
102-47: List of material topics

OUR GOVERNANCE

Governance is at the heart of our businesses as it determines the way we conduct our businesses; and it influences how the business objectives of the Group are set and executed including how risk is being managed. We believe good governance practices are important to strengthen stakeholders trust, prepare the Group for any changing environment and to provide a foundation for any high performing organisation to impact the society.

Corporate Governance

We are also committed to fulfil the Main Market Listing Requirements (MMLR) to maintain listing on stock exchange which facilitates growth of the Group. In addition to that, Harn Len abides to the Malaysian Code on Corporate Governance 2017 (MCCG) which provides guidelines on approaches to embed greater culture on corporate governance practices.

Our obligations to MCCG are further detailed out in our yearly Corporate Governance Report which is available on our website. This report is to be read in conjunction with the Corporate Governance section in this Annual Report 2019.

SUSTAINABILITY REPORT (Cont'd)

OUR GOVERNANCE (Cont'd)

Ethics and Integrity [102-17, 205-2]

At Harn Len, we are governed by the Group's policies on ethical and professional business conduct such as Code of Ethics and Conduct and Whistleblowing Policy. These policies are communicated to all directors and employees through various platforms including website, briefing sessions and employee handbook.

Code of Ethics and Conduct

The Code of Ethics and Conduct ("the Code") sets out principles and standards of business ethics and conduct of the Group. The Code provides guidance on management of ethical issues and promotion of ethical culture within the Group. This document outlines areas of potential misconduct and what are the expected behaviour by the directors and employees while conducting business dealings. Among the areas covered in the Code are:

- Conflict of interest
- Corruption and unethical practices
- Money laundering
- Gifts, Meals and Entertainment
- Sexual Harassment

102-17: Mechanisms for advice and concerns about ethics
205-2: Communication and training about anti-corruption policies and procedures

Whistleblowing Policy

Harn Len strives to maintain good governance practices and to uphold integrity in all our operational activities and business dealings. In any case of unethical behaviour, misconduct, malpractices, illegal acts and failure to comply with regulatory laws and regulations, all employees and stakeholders are encouraged to report the incident. The Whistleblowing Policy provides a mechanism for reporting suspected or actual wrongdoing, facilitating investigation and protecting genuine whistle-blowers from any risk of reprisal.

All complaints received is treated confidentially and the identity of the whistle-blower will not be revealed unless it is required by relevant authorities. To communicate any incident, it should be first raised to an immediate superior, but in the case where it is not possible or appropriate to do so; the report can be directed to the Managing Director and/or the Audit Committee Chairman.

SUSTAINABILITY REPORT (Cont'd)

OUR GOVERNANCE (Cont'd)

Regulatory Compliance

In conducting businesses, we are governed by laws and regulations in both economic, environmental and social aspects. With our operations mostly in Sarawak, we are also governed by state laws and regulations. List of key applicable laws and regulations that we are adhering to are as below. The list excludes environmental laws and regulations which are detailed out in the 'Our Environmental Impact' section.

FEDERAL LAWS AND REGULATIONS
Employees Provident Fund Act 1991
Factories and Machineries Act 1967
Immigration Act 1959
Passports Act 1966
Industrial Relations Act 1967
Workers' Minimum Standards of Housing and Amenities Act 1990
Pesticides Act 1974
Income Tax Act 1967
Companies Act 1965
Occupational Safety and Health Act 1994
Minimum Wage Order 2020
Malaysian Palm Oil Board 1998
Malaysian Palm Oil Board (Licensing) Regulations 2005
Akta Perkhidmatan Bomba 1988
Peraturan-Peraturan Perkhidmatan Bomba (Perakuan Bomba) 2001
SARAWAK STATE LAWS AND REGULATIONS
Sarawak Labour Ordinance

We keep track and monitor non-compliances using our List of Legal Compliance Register. For 2019, we did not incur any significant fines for non-compliances to the laws and regulations.

OUR PROCUREMENT PRACTICES [102-9, 204-1]

Harn Len recognises that our business is strongly supported by suppliers and vendors. We engage 100% local suppliers as we believe that local companies understand better our requirements and it minimises language barriers. By appointing local suppliers, we are also able to reduce transportation cost and associated carbon emission. Types of suppliers that we engaged are outlined as below.

- Heavy machinery
- Weighbridge servicing
- Fresh fruit bunch (FFB)
- Transportation
- Spare parts
- Maintenance and repair
- Computer
- Paper printing

SUSTAINABILITY REPORT (Cont'd)

OUR PROCUREMENT PRACTICES [102-9, 204-1] (Cont'd)

We conduct vendor performance evaluation to assess few critical areas that are important for the Group in ensuring their products and services meet our requirements. Vendor performance is important as it will determine the quality of our products as we are depending on our suppliers to support our business continuity. The evaluation checks on areas such as quality of product, delivery performance, timely response to complaints including after sales service and technical knowledge.

102-9: Supply chain
204-1: Proportion of spending on local suppliers

OUR ENVIRONMENTAL IMPACT

At Harn Len, sustainability is an important measure to assist us in implementing responsible agricultural practice and minimising negative impacts from our activities on the environment. We aim to ensure that our operational activities are conducted in a manner that facilitate reduction of our carbon footprint, minimise air pollution, land and water contamination, and ensure responsible management of water and waste.

Obtained MSPO certification in 2019

Responsible Agriculture Practice

The Group's oil palm plantations and palm oil processing facilities in Sarawak and Pahang are governed by the Malaysian Sustainable Palm Oil (MSPO) certification. All our operating units except for Senang Estate and Masranti Sebangkoi Sdn Bhd have obtained the MSPO certification in 2019, in accordance to the mandatory requirement for plantation industries to be certified with MSPO standards by end of 2019. Senang Estate is expected to obtain the MSPO certification in 2020 and has been actively completing the MSPO principles since 2019. The table below summarises the list of MSPO certification and its scope for our estates and palm oil mill.

Location	Scope
Harn Len Corporation Bhd: Estates in Serian and Samarahan, Sarawak	Production of Fresh Fruit Bunches (FFB) including oil palm operations (planting, manuring, spraying, weeding, harvesting) and management activities
Masranti Plantation Sdn Bhd: Estate in Samarahan, Sarawak	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
Masranti Plantation Sdn Bhd (Masranti Palm Oil Mill): Palm oil mill in Samarahan, Sarawak	Sustainable management of palm oil mill with 75 metric tonne per hour (MT/hr)
Harn Len Pelita Bengunan Sdn Bhd: Estate in Sri Aman, Sarawak	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

SUSTAINABILITY REPORT (Cont'd)

OUR ENVIRONMENTAL IMPACT (Cont'd)

Responsible Agriculture Practice (Cont'd)

To support the implementation of MSPO principles in our operations, we conduct various initiatives such as establishment of Standard Operating Procedures (SOP) to guide implementation of responsible agriculture practice throughout our operations. We also conduct regular trainings and briefings for our workers. These trainings are important to provide updates on any work procedures relevant to sustainable palm oil practices and serves as a reminder for workers to continue to adhere to the MSPO criteria.

Elements of responsible agricultural practices include proper management of herbicides and pesticides applied on estate grounds. We ensure no chemical mixing and spraying activities take place near buffer zones and riparian zones, to protect these areas from chemical contamination. Chemical handling trainings are also organised for our workers to avoid chemical spillage into water courses within and adjacent to our estates. To protect the biodiversity surrounding our operations, we display posters and signages about the protection of flora and fauna to create awareness amongst the local communities the importance of biodiversity on the oil palm environment.

Environmental Monitoring [303-2]

Harn Len's operations in oil palm plantations and palm oil mills are regulated by various environmental laws and regulations due to environmental impacts arising from our operations. List of applicable environmental laws and regulations that we adhere to are as below:

FEDERAL LAWS AND REGULATIONS
Environmental Quality Act 1974 (Act 127)
Environmental Quality (Prescribed Premises) (Environmental Impact Assessment) Order 1987
Environmental Quality (Prescribed Premises) (Crude Palm Oil) Order 1977
Environmental Quality (Scheduled Wastes) Regulations 2005
Environmental Quality (Declared Activities) (Open Burning) Order 2003
Environmental Quality (Clean Air) Regulation 2014
Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996

SARAWAK STATE LAWS AND REGULATIONS
Sarawak Land Code
Drainage and Irrigation Ordinance 1956 (Sarawak No. 15)
Natural Resources and Environment Ordinance Sarawak 1958 (Chapter 84 – Amendments)

303-2: Management of water discharge-related impacts

To ensure adherence to the above laws and regulations, we monitor relevant environmental parameters such as effluent discharge and stake air emission which are conducted monthly and biannually, respectively. We also have installed the continuous emission monitoring system (CEMS) as required under the Environmental Quality (Clean Air) Regulations 2014. For effluent management, we appointed a certified environmental professional in the treatment of palm oil mill effluent (POME) to operate POME treatment system, monitor treatment system and evaluate performance data. In 2019, we successfully met the permissible limits for all environmental parameters that are applicable to our operations.

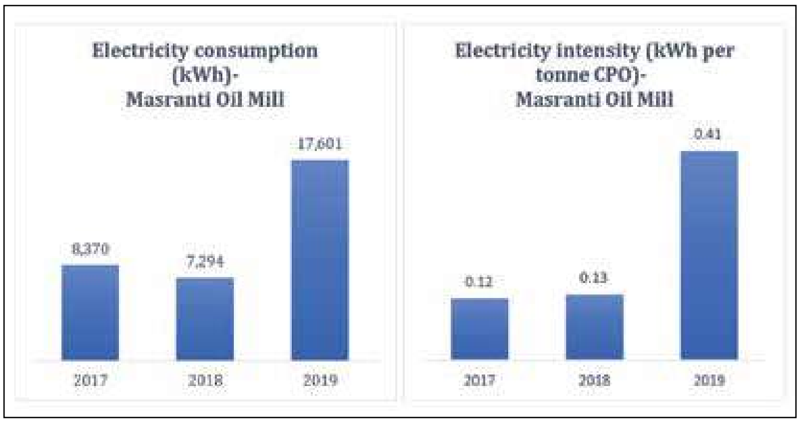
SUSTAINABILITY REPORT (Cont'd)

OUR ENVIRONMENTAL IMPACT (Cont'd)

Energy Management [302-1, 302-3]

In 2019, we continued to monitor our energy usage such as electricity and diesel consumption throughout our mills and estates. Masranti Oil Mill uses diesel generator set to produce electricity for use in the mill itself and supplied to nearby estate under the Masranti Plantation Sdn Bhd including Masranti Estate and Masranti Sebangkoi Estate. For Harn Len Pelita Bengunan and Senang Estate, their electricity consumption data are excluded in this report, as they obtained electricity from the oil mills.

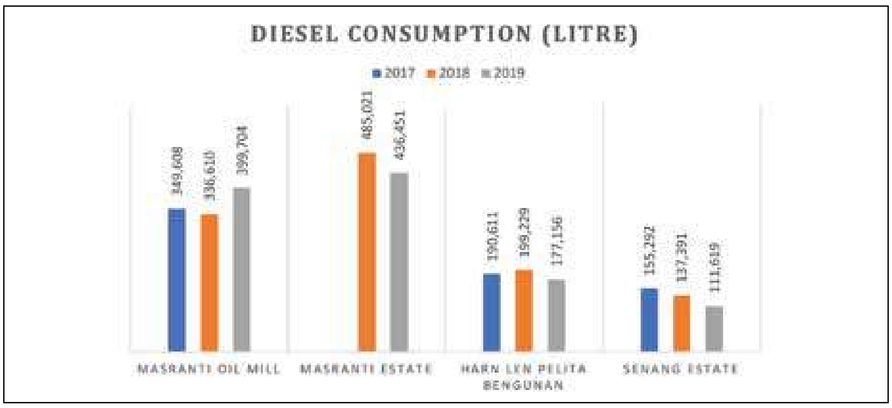
Masranti Oil Mill consumed a total of 17,601 kWh in 2019 which is a two-fold increase compared to 2018. This is due to an increase in activities at our operation sites. This year, we established the electricity intensity[1] which will be used as the baseline to compare year-on-year intensity levels in the coming years. The electricity intensity in 2019 has increased from previous years due to lower CPO production and electricity was still generated for daily use at our estates, offices and workers quarters.



[1] Intensity refers to consumption (electricity/diesel/water) per tonne of CPO or size of estate. The intensity provides stronger representation of consumption patterns as it includes factor of production output and size of estate. Intensity value is a normalised value based on identified denominator such as tonne of CPO or size of estate.

302-1: Energy consumption within the organisation
302-3: Energy intensity

We also established the diesel intensity to monitor diesel consumption patterns against tonnes of crude palm oil (CPO) produced or size of estate. In 2019, most of our operations showed decreasing trends in diesel consumption by approximately 27% to 31% except for Masranti Oil Mill. This pattern is parallel with diesel intensity for both estate and mill. The diesel intensity for Masranti Oil Mill increased in 2019, which was due to increase in operations and at some instances, the diesel generator set still needs to run to provide electricity to the offices, estates and workers quarters, despite no milling processes

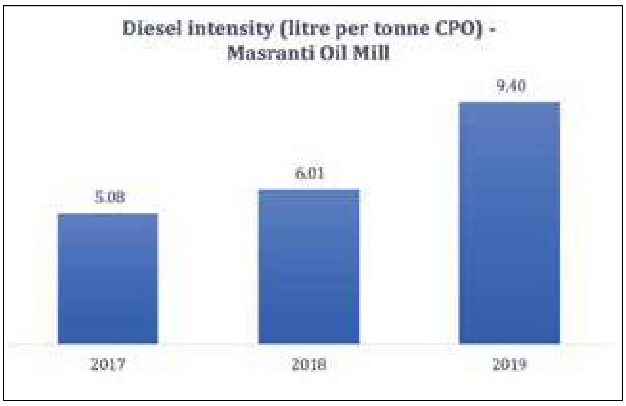


**Diesel consumption data excludes Masranti Estate in 2017 due to unavailability of data.*

SUSTAINABILITY REPORT (Cont'd)

OUR ENVIRONMENTAL IMPACT (Cont'd)

Energy Management [302-1, 302-3] (Cont'd)

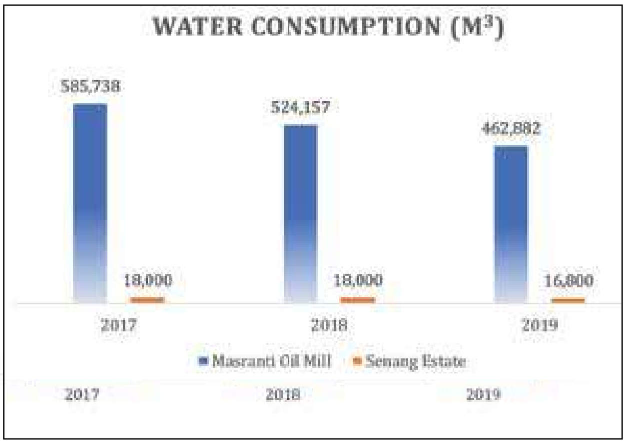


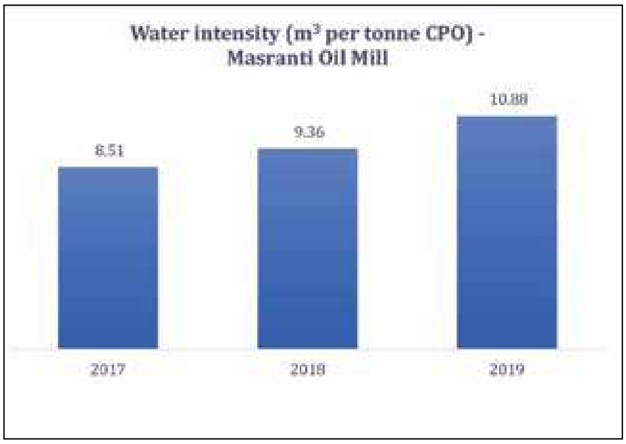
Diesel consumption data excludes Masranti Estate in 2017 due to unavailability of data

Water Management [303-5]

Water is an important resource for our estates and mill processes. At our estates, we need a stable supply of water to ensure our palm trees grow healthily and are able to produce optimum yield. In our mills, water is being used for multiple palm oil mill processes such as sterilization, purification and boiler feed to generate power. We aim to ensure a balanced use of water consumption for our operational activities with conservation of water resource.

In 2019, we maintained our water consumption for Senang Estate from 2017 until 2019, whereas we recorded lower water consumption compared to 2018 by 12% for Masranti Oil Mill. However, our water intensity for Masranti Oil Mill increased by 16% in 2019 compared to 2018. This is due to lower CPO production for this year and the fact that water is still consumed for daily activities at our estates, offices and workers quarters.





303-5: Water consumption

SUSTAINABILITY REPORT (Cont'd)

OUR ENVIRONMENTAL IMPACT (Cont'd)

Waste Management [306-2] (Cont'd)

At Harn Len, we generate both scheduled and non-scheduled wastes from our plantation and milling activities. We produce a large volume of organic waste which is empty fruit bunch (EFB) from crude palm oil extraction processes. Disposal of EFB has been a major issue for the palm oil industry due to its huge amount of production. For 2019, Masranti Oil Mill, produced 40,255.15 metric tonne of EFB, of which 92.3% was sent to incinerator and ash from this burning process is used for land application to balance soil pH. The remaining EFB is used for mulching across our estates.

For scheduled wastes, we adhere to the Environmental Quality (Scheduled Wastes) Regulations 2005, in which we ensure proper labels for scheduled wastes, adequate storage area and appoint licensed contractors by the Department of Environment (DOE), to collect and dispose the scheduled wastes that we generate. For 2019, Sarawak operations and Senang Estate generated 5.7 metric tonne and 0.4 metric tonne of scheduled wastes, respectively, consisting SW 305, SW 306, SW 410.

For Senang Estate, we started comprehensive data tracking and reporting in 2019, and therefore our previous disclosure on scheduled waste generation shall be considered as obsolete.

306-2: Waste by type and disposal method

OUR EMPLOYEES [102-7]

Harn Len is committed to providing safe and conducive working environments for our employees as we believe that wellbeing of employees is the determinant of success for an organisation. We continue to engage regularly with our employees to maintain a line of communication and to better understand the needs and expectation of our employees.

STATISTICS OF EMPLOYEES

Total employees 353

Male 72% out of total employees
Female 28% out of total employees

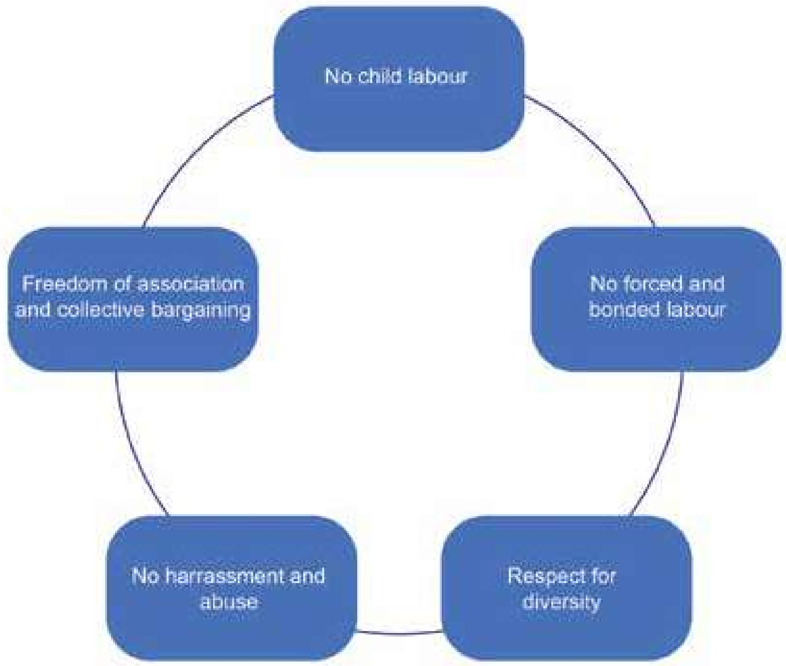
Labour Rights [102-41, 407-1, 408-1, 409-1]

Harn Len is committed to upholding and promoting the Universal Declaration of Human Rights for all workers, contractors, indigenous people, local communities and other stakeholders. We expect our employees to practice respect and recognise the rights of all workers regardless of gender, age, employment type, nationality, religion and race. We established the Human Rights and Labour Rights Policy to showcase our commitment in combatting bias treatment among our employees. The Policy sets out key principles that we implement throughout our operations.

102-7: Scale of organisation
102-41: Collective bargaining agreements
407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
408-1: Operations and suppliers at significant risk for incidents of child labour
409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labour

SUSTAINABILITY REPORT (Cont'd)

OUR EMPLOYEES [102-7] (Cont'd)



Diversity and Inclusiveness [102-7, 102-8]

Harn Len promotes a diverse workplace and leverages on diversity to foster innovative and creative employees which leads to a competitive business advantage. Diversity and inclusion is of utmost importance pertaining to recruitment and treatment of employees. Our commitment to provide diverse and inclusive workplace is translated into the Group's Diversity Policy in which we are committed to ensure that:

- Every employee is entitled to a working environment that promotes dignity and respect for all. No form of intimidation, bullying or harassment will be tolerated;
- The commitment to diversity and equality in the workplace is a good management practice and makes a sound business sense;
- Breaches of diversity policy will be regarded as misconduct and could lead to disciplinary proceedings; and
- This policy will be implemented within the framework of the local laws, relevant legislation and
- Malaysia Government policy

In 2019, we had a total of 353 employees across our operations in Sarawak, Pahang and headquarters, excluding our Tenaga Kerja Indonesia ("TKI")[2]. This is a decrease by 35% due to the disposal of Lian Hup Estate and Lian Hup Oil Mill in 2019. For distribution by gender, it shows that we have a slight decrease in women percentage by 2% to 28% distribution in 2019. Our employees are mostly men due to hard labour required in our estates and mills.

[2] Tenaga Kerja Indonesia is part of Harn Len's employees. However, due to their inconsistent attendance, their headcount is excluded from this reporting.

102-7: Scale of organisation

102-8: Information on employees and other workers

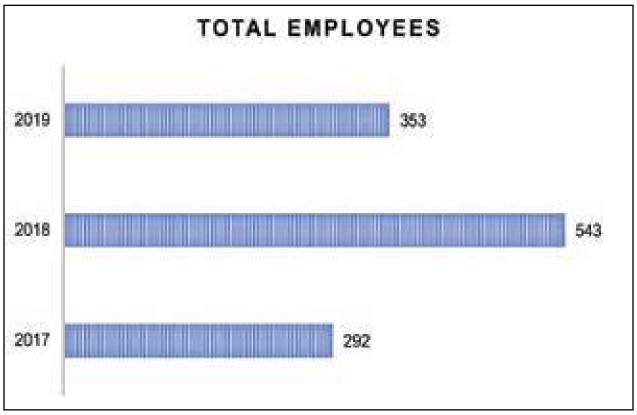
SUSTAINABILITY REPORT (Cont'd)

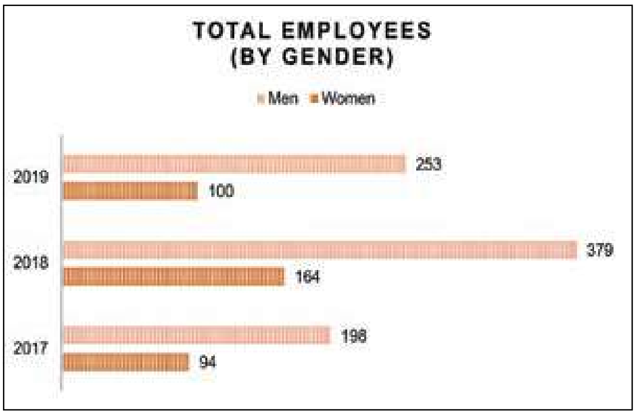
OUR EMPLOYEES [102-7] (Cont'd)

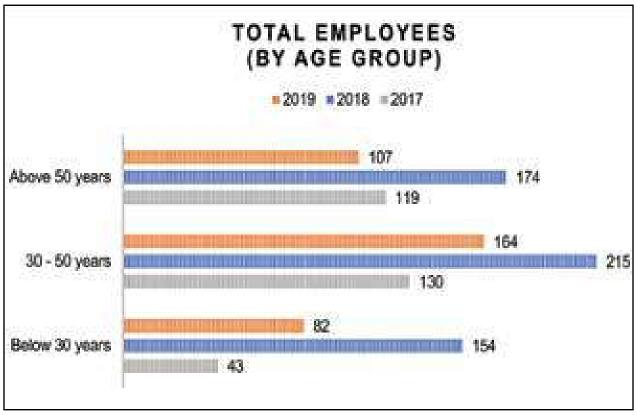
Diversity and Inclusiveness [102-7, 102-8] (Cont'd)

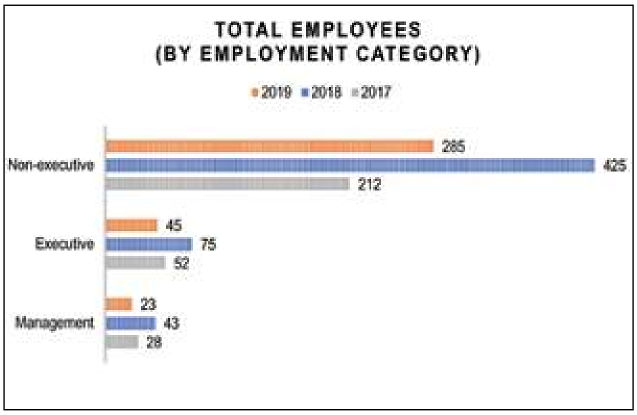
In terms of age group distribution, most of our employees are between the age group of 30 to 50 years old which shows that the Group is hiring talent with sufficient work experience. This is followed by the above 50 years old group and the smallest group is below 30 years old. This pattern is consistent from 2018 until 2019. Most of our employees are non-executives who are workers at our estates and mills.

Breakdown of employee distribution is shown as below.









**Management category consists Managers, Senior Managers and Directors (excluding Independent Directors)*

SUSTAINABILITY REPORT (Cont'd)

OUR EMPLOYEES [102-7] (Cont'd)

Talent Retention and Attraction [401-1]

At Harn Len, we aim to keep our turnover rate low in order to minimise cost of hiring new employees and to ensure smooth journey of our business. In order to retain our talent, we ensure that our employees receive fair remuneration and benefits. Benefits that we are providing includes group personal accident insurance and allowances such as transportation, travel, training, housing, telephone and education for those with children. In Sarawak, employees from the indigenous group, who are employed on contract basis and whose monthly wages is less than RM2,500, enjoy additional benefits as stipulated in the Sarawak Labour Ordinance (SLO).

401-1: New employee hires and employee turnover

We also give rewards and recognitions for high performing employees to further motivate them in delivering outstanding tasks. Harn Len organises regular gatherings between directors and employees to foster relationships within the Group including festive events to celebrate Malaysia's multi-cultural background.

In 2019, we recruited 26 employees in 2019 compared to 75 employees in 2018. Our reduced hire rate (6.6%) for the reporting year was due to a weak business climate. In terms of employee turnover, we recorded turnover rate at 18.55% compared to 8.19% in 2018.

The breakdown of new hires and resignation by age and gender is tabulated in the graphs as below.

SUSTAINABILITY REPORT (Cont'd)

OUR EMPLOYEES [102-7] (Cont'd)

Training and Development [405-1]

As a responsible organisation, Harn Len strives to provide a platform for our employees to enhance their knowledge and skills via formal or informal training sessions. We also believe that the skill and competency of our employees will further contribute to the overall performance of the Group. Below is the list of key training programmes attended by our employees in 2019.

TRAINING PROGRAMMES
Optimising Tax Benefits for Companies and Related Entities
Corporate Governance: New Perspectives and Development for Board of Directors and Secretaries
Corporate Liability
Implementing The New Lease Accounting Requirements
Evaluating Effective Internal Audit Function
Sustainability Training
Briefing of Wildlife Animal by Forest Department Muadzam Shah
MSPO Briefing
Induction, Roles and Responsibility of MSPO Committee
CSPO Forum
E-Swiss Course for Scheduled Wastes
Chemical Handling and Spillage Training
Emergency Response and Evacuation
FFB Grading and Self Awareness towards Safety and Health
Harvesting Training
Manuring Training
Spraying Training

In 2019, we recorded a total of 832 hours of training[3] with an average training hours of 6.40 hours per employee. Graphs below illustrate the average training hours by gender and employment type. The graph below shows that women employees received more training hours compared to men by 1.58 hours. This is because most of training conducted this year is about MSPO which requires administrative tasks and this is mostly held by women employees. As for employment category, group of Management received the highest training hours of 10.66 per employee, followed by 8.95 hours for Executives and 4.28 for Non-executives. This is due to more training organised at corporate level including MSPO Briefing which requires involvement from the group of Management.

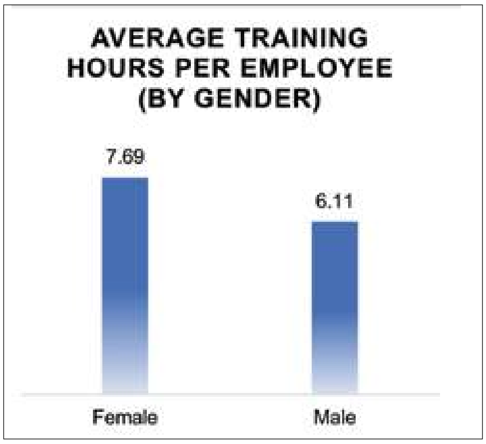
[3] Formal training

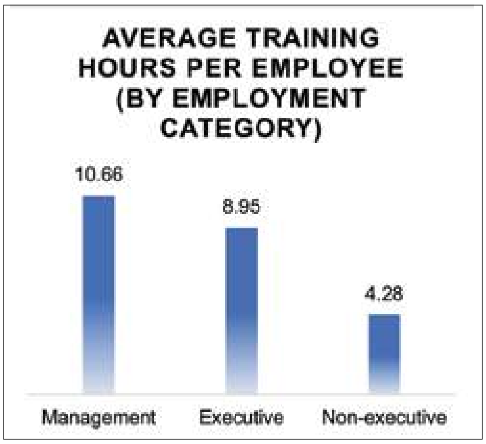
405-1: Diversity of governance bodies and employees

SUSTAINABILITY REPORT (Cont'd)

OUR EMPLOYEES [102-7] (Cont'd)

Training and Development [405-1] (Cont'd)





**Training hours exclude training provided to TKI*

Occupational Safety and Health [403-1, 403-2, 403-4, 403-5]

The safety and health of our employees is the Group's top priority and we have put relevant measures towards achieving zero fatalities at our workplace. We have developed an internal occupational safety and health (OSH) management system which outlines a few key areas as listed below:

403-1: Occupational health and safety management system
403-2: Hazard identification, risk assessment, and incident investigation
403-4: Worker participation, consultation, and communication on occupational health and safety
403-5: Worker training on occupational health and safety

SUSTAINABILITY REPORT (Cont'd)

OUR EMPLOYEES [102-7] (Cont'd)

Occupational Safety and Health [403-1, 403-2, 403-4, 403-5] (Cont'd)

The OSH Committee from each operation, has representation from both employer and employees. This committee meets every quarterly to discuss safety and health issues, training and development or to resolve any outstanding matters. The OSH Committee is responsible to ensure the established OSH Policy is well communicated to all employees. The committee is also responsible in implementing Hazard Identification, Risk Assessment and Risk Control (HIRARC), to ensure compliance to laws and regulations, carry out initiatives to minimise hazards and risks, as well as respond to emergencies, accidents and injuries in the workplace. For Masranti Oil Palm Mill, we appointed a social liaison officer who is responsible to:

- Communicate relevant information about MSPO in appropriate forms to all stakeholders
- Ensure that complaints and grievances are resolved with reasonable practice
- Ensure internal and external stakeholders are aware of complaints and grievance system

Hazard Identification, Risk Assessment and Risk Control (HIRADC)

To support our objective in minimising hazards and risks at our workplace, we undertake the HIRARC assessment for all estates and mills. The HIRARC assessment covers areas as below

Estate	Palm oil mill
Manuring, excavation, chemical handling, rats baiting, cleaning of palm tree, harvesting, machineries, workshop, fertilizer store, chemical store, spare parts store, lubricant store, FFB loading	Effluent pond, machineries, kernel bunker silo, transfer carriage wet end and dry end and cages

From the HIRARC assessment, we identified potential hazards, existing control, risk level and accordingly recommended control measures. Among the various hazards at our workplace, the highest risk level identified was at medium level. The potential hazards at the medium level and its recommended control measures are outlined as below:

Potential Hazard	Recommended Control Measures
Electrocution at workshop	To follow established Standard Operating Procedure (SOP) and to use complete Personal Protective Equipment (PPE)
Inhalation at chemical storage area	To ensure complete PPE is worn
Ingestion at chemical storage area	To immediately send the victim to hospital together with relevant chemical Safety Data Sheet (SDS) for further treatment
Unstable of hand guard while climbing up ladder	To check handrail daily and to inform relevant person-in-charge if uncommon situation found
Confined space during cleaning works	To ensure sufficient ventilation and permit to work is available
Combustion during maintenance works	To ensure workplace is clean before work commence to avoid residue that may lead to combustion
Falling or crash	To create secure foundation for stable standing

SUSTAINABILITY REPORT (Cont'd)

OUR EMPLOYEES [102-7] (Cont'd)

Hazard Identification, Risk Assessment and Risk Control (HIRADC) (Cont'd)

For our operations in Sarawak, we communicate to all our employees that in the event they find any unintended work that may cause harm, they can stop the work and directly report the situation to their supervisor for further investigation and discussion. We also created a checklist called 'Workplace Inspection Report' which requires members of OSH Committee to conduct a walkabout to assess all work areas prior to the OSH Committee meeting.

Chemical Health Risk Assessment (CHRA) is conducted once in every five years or whenever required as stipulated in the Use and Standard of Exposure Chemical Hazardous to Health (USECHH) Regulations 2000. The CHRA is important to identify appropriate control measures required to protect the health of workers who are exposed to hazardous chemicals at work.

OSH Trainings

To equip our employees with updated information, knowledge and requirements in OSH laws and regulation, we conduct regular trainings in the areas such as use of fire extinguishers, safety aspects in harvesting, pruning and spraying activities, use of PPE, MSPO briefing and certification system, chemical handling and spillage training, PPE and chemical hazards and daily operation and safety awareness for security personnel.

With proper trainings in safety and health and implementing various measures in creating a workplace that is safe, there were zero accidents in 2019.

OUR COMMUNITY DEVELOPMENT [413-1]

Throughout the year, Harn Len contributed to multiple programmes such as festive educational assistance for selected schools and organised festive celebrations for the local community such as Tutup Gawai Festival and Hari Raya. List of programmes conducted in 2019 is as below.

Education Award

This annual award ceremony was organised to celebrate employees' children who excelled in their studies in primary, secondary and tertiary (Diploma and Bachelor's Degree) levels. They were awarded with cash rewards and gifts and treated to a special luncheon with their parents.

SUSTAINABILITY REPORT (Cont'd)

OUR COMMUNITY DEVELOPMENT [413-1] (Cont'd)

Tutup Gawai Festival

To celebrate harvest season, Harn Len organised the Tutup Gawai Festival, a festival that celebrates the harvest of bountiful yields and preparing for the coming season, for its employees and the local community. This event cultivated a community spirit and strengthened the relationship between Harn Len and the local community.

Contribution for Hari Raya Celebration

In conjunction with Hari Raya, Harn Len donated a supply of chicken to the community in preparation of Hari Raya.

CONCLUSION

With the current market demand for sustainable palm oil, the Group is taking all the necessary steps to ensure our business activities and products are in accordance with the local and global requirements. With the certification to MSPO, we are on board in the journey towards adopting the best agricultural practices and implementing a sustainable palm oil production. As we move forward, we aim to strengthen our market positioning by embedding initiatives that will further drive efficiency whilst safeguarding the environment and contributing back to the society.

413-1: Operations with local community engagement, impact assessments, and development programs

AUDIT COMMITTEE REPORT

A. COMPOSITION AND ATTENDANCE

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 number 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.

The Board, through the Nominating Committee, assesses the performance of the Committee in terms of its effectiveness and contribution of Committee members on an annual basis 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.

B. MEETINGS

There were seven (7) meetings held for the financial year ended 31 December 2019. 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 Auditors privately twice without the presence of the Executive Directors and Management. These private sessions provided an avenue for the External Auditors to share freely with the Committee any concerns they might have during the course of their 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 Auditors encountered any difficulty in obtaining such co-operation and information for the purpose of their 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.

AUDIT COMMITTEE REPORT (Cont'd)

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 uploaded on the Company's website at www.harnlen.com.my

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 the Companies act 2016. 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 2019, covering capital commitments, cashflow forecast/projections, and the assumptions used in the projections;
- Evaluated the performance of the external auditors covering their calibre, requisite skills and expertise of the audit team, including their independence and professionalism befofe recommending to the Board to include the re-appointment of the external auditors to be tabled for shareholders' approval at the Company's Annual General Meeting. In the evaluation, the Committee also looked into the quantum of fees paid to the external auditors and their 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 auditors and their affiliates for the financial year under review in respect of non-audit services rendered to the Group and the Company amounted to RM183,000;
- Reviewed with the external auditors the audit planning memorandum, comprising the scope of audit, key audit areas, contemplated key audit matters, audit approach and timetable;
- Met with the external auditors twice during the financial year without the presence of the Executive Directors and Management to enable the external auditors to voice any concerns they might in the course of their work;
- Reviewed the issues raised by the external auditors, including opportunities for improvement to internal controls based on observations made in the course of the audit;
- Discussed with the outsourced internal auditors the scope of coverage for the financial year and the Internal Audit Risk-based Methodology to be deployed on their work;
- Reviewed and approved the Internal Audit Plan tabled by the outsourced independent internal auditors, including the scope of coverage of work by the internal auditors for the financial year under review and results of internal audit findings highlighted in the outsourced internal auditors' presentation deck to the Audit Committee;

AUDIT COMMITTEE REPORT (Cont'd)

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

- Briefed the Board the outcome of the meetings of the Committee, covering largely the work and results of the external auditors and internal auditors, recurrent related party transactions, quarterly announcements and year-end financial statements as well as risk management update of the Group;
- Reviewed the related party transactions 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 meeting held earlier, covering the significant risks faced by the Group, including measures implemented by Management to mitigate the risks; and
- 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.

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 auditors' 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.

This Report is dated 30 June, 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Main Market 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 2019 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 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 ("System"), the System is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives. The System can, therefore, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraudulent activity.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(Cont'd)

BOARD'S RESPONSIBILITY ON RISK MANAGEMENT AND INTERNAL CONTROL
(Cont'd)

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.

RISK MANAGEMENT FRAMEWORK – ITS 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 ERM comprises an INED, 2 EDs and several members of Management and during the financial year, 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 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 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. 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. 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 and regulatory compliance.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(Cont'd)

INTERNAL CONTROL SYSTEM – SALIENT ASPECTS

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;
- an annual budgetary exercise that requires business units 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; and
- structured whistle-blower 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 a significant estate within 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.

STATEMENT ON 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)

The internal audit plan 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. The internal controls deployed by Management on the following processes and their associated business risks pertaining to a significant estate within the Group and the Company were assessed by the Internal Audit function based on the Internal Audit Plan approved by the Audit Committee:

Business Process and focus areas	Business Unit
Procurement to payment: • Sourcing and selection of vendors for purchases • Selection of contractors and payment - maintenance of machinery and other operating activities • Approval of purchases • Follow-up on receipt of goods and services • Payment initiation, review and approval process	Masranti Palm Oil Mill
Operation monitoring and reporting: • Monitoring, recording and reporting of production performance, including timeliness of follow-up	Masranti Palm Oil Mill
Plant and machinery maintenance: • Requisition, approval and monitoring of preventive and unscheduled maintenance • Diesel consumption and utilisation of turbine for power generation • Equipment downtime and major breakdown, including contingency plan • Approval of external maintenance work and monitoring external maintenance work	Masranti Palm Oil Mill
Related party transactions: • 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: • 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 deck presented by the internal audit function to the Audit Committee in June 2020 to enable remedial measures to be implemented by Management.

The total cost incurred by the Group on the outsourced internal audit function for the financial year amounted to RM58,800.

External Auditors

The external auditors, in the course of their statutory audit of the Group's and Company's financial statements, reviewed the Group's system of internal control to the extent of their planned reliance as laid out in their 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 auditors by way of their presentation deck.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(Cont'd)

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

External Auditors (cont'd)

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 2019. 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.

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

COVID-19 EVENT

The COVID-19 pandemic outbreak caused significant disruptions to the Group's operations. The Group's plantations and mill operations were allowed to operate during the Movement Control Order ("MCO") period but were constrained by conditions to limit the extent of operations as well as other conditions stipulated by the Government, for example shift work and reduction in headcount per shift, providing adequate Personal Protection Equipment to working employees, prohibition of gathering in plantation and mill, strict observance of taking temperature of employees before commencement of work and reporting immediately on any suspected cases. Being mindful of such requirements, the Group Managing Director issued a communication memorandum to all employees in the midst of the MCO, reminding them of the priorities that the Group has adopted over such trying times to remain operational.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 31 December 2019. The external auditors have reported to the Board that, based on their review procedures performed and evidence obtained, nothing has come to their attention that caused them to believe that this Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues to be set out, nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors dated 30 June, 2020.

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, 2019 are as follows :

Audit Fees:

		RM
Deloitte PLT	-	212,000

Non-Audit Fees:

i)	Deloitte PLT	-	183,000
ii)	Ernst & Young	-	58,800

2. **Material contracts**

The following material contracts were entered into within the two (2) years immediately preceding the date of this Annual Report 2019 :

i) The Company had on 27 March, 2018 entered into separate Management Agreements with the following related parties to develop and manage their biological assets for a period of 25 years ("Proposed Arrangements"):

a) Horn Lern (Merakai) Sdn Bhd;
b) Horn Lern (Semada) Sdn Bhd;
c) Horn Lern (Jerok) Sdn Bhd;
d) Horn Lern (Krangan) Sdn Bhd; and
e) Advance Pinnacle Sdn Bhd
(Collectively "Plantation Companies")

The Proposed Arrangement involves the appointment of the Company as the exclusive contractor to develop and manage the biological assets ("Exclusive Appointment"). In consideration of the Exclusive Appointment, the Company shall assume a total estimated cost of approximately RM46,000,000 in return for a share of the Fresh Fruit Bunches ("FFB") production for a period of 25 years and upon expiry of the Initial Term, the Management Agreements shall automatically continue for a further period of 25 years, subject to such revised terms and conditions as may be necessary for the continuance of the Management Agreements.

As consideration for the Exclusive Appointment, the Company agrees to bear 42% of the total cost incurred equivalent to RM19,000,000 of which RM3,000,000 and RM11,000,000 shall be paid upon execution of Management Agreements and the effective date to begin development and management of the biological assets respectively. The remaining RM5,000,000 shall be paid upon first anniversary of the effective date. The Company shall be entitled to 42% of the net plantation profit until the estimated cost of RM46,000,000 is covered. Thereafter, the Company shall be entitled to 90% of the sales proceeds from the sale of FFB until the expiry of the Management Agreements.

Harn Len and the Plantation Companies entered a Supplementary Agreement to reduce the upfront payment from RM19,000,000 to RM14,687,295.

Upon the execution of the Management Agreements by the Company, the earlier Management Agreements between a subsidiary of the Company, Harn Len Management Sdn. Bhd. with one of the five plantation companies as mentioned above, had been terminated.

The Proposed Arrangement was approved in the Extraordinary General meeting held on 27 June 2018 and completed on 31 December 2018.

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

2. **Material contracts** (Cont'd)

ii) A Sale and Purchase Agreement was entered into between the Company and Jotech Metal Fabrication Industries Sdn Bhd (187741-P) on 8 August, 2018 for the disposal of all that 3 (three) pieces of land together with factory buildings as detailed below on an en-bloc (as a whole) basis free from all charges, liens and encumbrances, at a total purchase consideration of RM19,000,000 (Ringgit Malaysia : Nineteen Million Only) :

a) HS(D) 238650 PTD 115794 measuring approximately 3641.7992 square metres together with a unit of single storey detached factory annexed with 3 storey office building erected thereon and bearing postal address No, 20, Jalan Masyhur 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor;
b) HS(D) 238651 PTD 115795 measuring approximately 3641.7992 square metres together with a unit of single storey detached factory annexed with 3 storey office building erected thereon and bearing postal address No, 22, Jalan Masyhur 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor; and
c) GN 49112 Lot 56753 measuring approximately 3642 square metres together with a unit of single storey detached factory annexed with 2 storey office building erected thereon and bearing postal address No, 24, Jalan Masyhur 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor
all in the Mukim of Plentong, District of Johor Bahru, State of Johor.

The disposal was completed on 31 January, 2019.

iii) 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).

An announcement was made on 27 May, 2020 that all the Conditions Precedent pursuant to the SPA have been fulfilled and the unconditional date for the Proposed Lian Hup Disposal is on 22 May 2020. Completion date of the SPA will be within 3 months from the Unconditional Date. Further 2 months' extension of Completion Date to Extended Completion Date is also available under the SPA. As at the date of the report, the balance of the purchase consideration is yet to be fully paid by Far East to the Company.

iv) Employees' Share Scheme (ESS)

The shareholders of the Company had approved the Employees' Share Scheme ("ESS") via an Extraordinary General Meeting held on 13 August, 2019. The ESS was accordingly implemented on 3 September, 2019 which is for a duration of five (5) years, unless extended further.

The salient features of the ESS are as follows:

a) the maximum number of Awards shall not exceed 15 % of the total number of issued shares of the Company at any point of time during the scheme period;
b) the ESS shall be in force for a duration of five years;
c) any employee of a corporation in the HLCB Group (excluding the subsidiaries which are dormant), and confirmed full-time employees of a corporation within the Group are eligible;
d) any allocation of options under the ESS to any Directors of the Company shall require prior approval from the shareholders of the Company at a general meeting ;

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

2. **Material contracts** (Cont'd)

iv) Employees' Share Scheme (ESS) (Cont'd)

e) the aggregate maximum number of Awards that maybe granted to a Selected Person will be determined entirely at the discretion of the ESS Committee provided that: The Directors (including non-executive Directors) and eligible employees do not participate in the deliberation or discussion of their own allocation and the allocation to any other person connected with them;

i. No allocation of more than 80% of the total Awards will be made in aggregate to the Directors and/or Senior Management of the HLCB Group;
ii. No allocation of more than 10% of the Awards will be made to each of the Director; and
iii. No allocation of more than 10% of the Awards will be made either singly or collectively through persons connected with them, hold 20% or more of the total number of issued shares of HLCB (excluding treasury shares).

f) the share grant price and exercise price shall be based on a discount of not more than 10% from the weighted average market price of the Company transacted on the Bursa Securities immediately preceding the Offer Date; and

g) the ESS Committee may at any time and from time to time before and after the ESS Options are granted, limit the exercise of the ESS Options to a maximum number of new HLCB Shares and /or such percentage of the total HLCB Shares comprised in the ESS Options during such period within the Option Period and impose any other terms and/or conditions as the ESS Committee may, in its sole discretion deem appropriate including amending or varying any terms and conditions imposed earlier other than pertaining to the imposition of performance targets.

There was no Award granted under the ESS during the financial year ended 31 December, 2019

3. **Contracts Relating To Loan**

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

4. **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 21 of the financial statements.

5. **Utilisation of Proceeds**

There were no proceeds raised by the Company from any corporate exercise.

FINANCIAL STATEMENTS CONTENTS

DIRECTORS' REPORT

The directors of **HARN LEN CORPORATION BHD.** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2019.

PRINCIPAL ACTIVITIES

The Company is principally involved in the cultivation of oil palms, operation of a palm oil mill, property investment, investment holding and palm oil estate and plantation management.

The subsidiaries are principally involved in the cultivation of oil palms, operation of a palm oil mill, investment holding, property investment and transportation services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary is as disclosed in Note 14 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	**The Company RM**
Loss for the year attributable to:		
Owners of the Company	(58,290,958)	(29,712,526)
Non-controlling interests	(1,744,015)	-
	(60,034,973)	(29,712,526)

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the following as disclosed in Note 8 to the financial statements:

(a) Impairment loss arising from property, plant and equipment of the Group amounting to RM17,765,000;
(b) Impairment loss arising from right-of-use assets of the Group amounting to RM10,236,000; and
(c) Impairment loss arising from investment in subsidiaries of the Company amounting to RM9,011,000.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. During and as at the end of the financial year, the Company does not have any profit available for distribution as dividends.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

ISSUE OF WARRANTS

On September 25, 2019, the Company issued 51,965,924 free Warrants to the shareholders pursuant to the Bonus Issue of three (3) Warrants for every ten (10) existing ordinary shares of RM0.60 each in the Company. The shareholders of the Company granted their approval to the Bonus Issue of Warrants via its Extraordinary General Meeting ("EGM").

The Warrants are constituted by a Deed Poll dated August 26, 2019.

The salient features and movements of the Warrants of the Company are disclosed in Note 24 to the financial statements.

During the financial year, no Warrants were exercised.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. At the end of the financial year, there were no unissued shares of the Company under options.

SIGNIFICANT EVENTS DURING THE YEAR

Details of significant events during the year are disclosed in Note 34 to the financial statements.

DIRECTORS' REPORT (Cont'd)

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the end of the reporting period are disclosed in Note 35 to the financial statements.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts needed to be written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

During the financial year ended December 31, 2019, the Group and the Company incurred a net loss after tax of RM60,034,973 and RM29,712,526 respectively, and as at that date, the current liabilities of the Group and of the Company exceeded their current assets by RM134,918,556 and RM72,201,108 respectively. As stated in Note 2 to the financial statements, these events and conditions, along with other matters as set forth below, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern:

(i) As disclosed in Note 27 to the financial statements, a subsidiary of the Company has defaulted in payment of its overdraft facilities with a licensed bank, of which the Company acts as a corporate guarantor. Accordingly, the Company and its subsidiary received a Letter of Demand ("LOD") dated December 12, 2019 and December 20, 2019, respectively. The total amount outstanding under the overdraft facility with this licensed bank as at December 31, 2019 is RM4,990,121. The licensed bank has a right to terminate and/or recall the banking facilities granted in the event of default in payment.

    On February 5, 2020, the Company provided a Letter of Undertaking to the licensed bank that it will make full settlement of debts for the said subsidiary if the subsidiary fails to pay, and to fully repay or settle the debts with the licensed bank within 14 days from the date the Company received the balance of Disposal Consideration of RM135,138,540 (net of Real Property Gain Tax) on the proposed disposal of oil palm estate and oil mill ("Proposed Disposal") as disclosed in Note 23 to the financial statements.

(ii) As disclosed in Note 27 to the financial statements, amounts outstanding to other licensed banks and a licensed financial institution of the Group and of the Company at year-end totalling to RM67,900,106 and RM22,712,510 respectively, are subject to cross default clause. This includes an amount of RM39,450,530 of which a subsidiary of the Company had also breached certain loan and borrowing covenants during and as at the end of the financial year.

Due to the cross default clause, a breach of any term with any of these licensed banks and a licensed financial institution represents an "Event of Default", where the licensed banks and a licensed financial institution have right to take action, including amongst others, to review the Event of Default, terminate and/or recall the facilities. At the date of this report, the Group and the Company have not received a confirmation letter from the affected licensed banks and a licensed financial institution on whether the said facilities will continue to be made available or be recalled.

(iii) As disclosed in Note 29 to the financial statements, amounts outstanding to trade creditors as at year-end that exceeded credit terms provided to the Group and the Company amounted to RM92,724,648 and RM37,711,486 respectively. The Group and the Company have entered into settlement arrangements with certain trade creditors. Under these arrangements, late payment interest up to 24% per annum can be charged and is subject to negotiation.

(iv) The Group suffered low oil mill production levels (44% of its planned production capacity) due to cash flows constraint which limited the purchases of fresh fruits bunches from external parties.

(v) The Company experienced delays in receiving the balance of Disposal Consideration relating to the Sale and Purchase Agreement ("SPA") that was entered into on April 29, 2019 as mentioned in (i) above. Subsequent to the end of the financial year, the Company has announced that all the Conditions Precedent pursuant to the SPA have been fulfilled and the Unconditional Date for the Proposed Disposal is determined as May 22, 2020. The transaction has yet to be completed as of the date of this report.

Despite its net current liabilities position and taking into consideration the negative impact on the operations of the Group and of the Company due to COVID-19 (Note 35(ii) to the financial statements), the directors of the Company are of the view that the Group and the Company will be able to continue operating as a going concern in the foreseeable future. The following measures have been or are planned to be rolled out by the Group and the Company:

(i) Implementation of cost rationalisation which would include the reduction of staff costs, control over operational costs and control over capital expenditure;

(ii) Ceased the loss-making hotel operations on February 28, 2019 and leasing the hotel floors to external hotel operator effective August 5, 2019;

(iii) Ceased the loss-making transport business in August 2019 to ease the cash flows of the Group;

(iv) Proposed application of new banking facilities of RM60 million with a licensed bank to fix the mismatch of short-term loans which have been utilised for long term investments;

(v) Proposed divestment of certain properties which are under non-core business of the Group and of the Company through disposal or lease;

(vi) Followed through the completion of Proposed Disposal of oil palm estate and oil mill; and

(vii) Proposed private placement of up to 7,000,000 shares representing approximately 4% of the total number of issued shares of the Company for working capital purposes.

DIRECTORS' REPORT (Cont'd)

The proceeds from the Proposed Disposal as disclosed in Note 23 to the financial statements will be used to repay its trade creditors, certain short-term bank borrowings and to fund the working capital requirements of the Group and of the Company.

The directors will closely monitor the progress of the above measures while evaluating the impact of subsequent developments on the financial position of the Group and of the Company and will take appropriate actions, as necessary, to enhance efficiency and productivity of the Group and of the Company.

Other than stated above, at the date of this report, the directors are not aware of any circumstances:

(a) which would require the amount written off as bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due other than as disclosed in Note 2 *Basis of Preparation* to the financial statements.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made other than those events as disclosed in Note 35 to the financial statements.

DIRECTORS

The directors of the Company in office during the financial year and during the period from end of the financial year to the date of this report are:

Puan Sri Datin Chan Pui Leorn
Low Quek Kiong
Low Kueck Shin
Low Kwek Lee
Low Kuek Kong
Low Kok Yong
Low Kok Yaow
Loh Wann Yuan
Law Piang Woon
Brig. Jen. (B) Dato' Ali bin Haji Musa
Mohamed Akwal bin Sultan Mohamad
Lee Chon Sing (resigned on 28.06.2019)

The directors of the subsidiaries of the Company in office during the financial year and during the period from end of the financial year to date of this report other than as disclosed above are:

George Lennton Anak Indang
Datu Sajeli bin Kipli

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors as at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, are as follows:

	No. of ordinary shares			
	Balance at January 1, 2019	**Bought**	**Sold**	**Balance at December 31, 2019**
Shares in the Company				
Registered in the name of directors				
Direct interest				
Puan Sri Datin Chan Pui Leorn	550,000	-	-	550,000
Low Quek Kiong	75,000	-	-	75,000
Low Kok Yong	720,000	-	-	720,000
Loh Wann Yuan	1	-	-	1
Deemed interest				
Puan Sri Datin Chan Pui Leorn	113,771,608	41,000	-	113,812,608*[1]
Low Quek Kiong	114,246,608	41,000	-	114,287,608*[2]
Low Kueck Shin	114,321,608	41,000	-	114,362,608*[3]
Low Kwek Lee	114,321,608	41,000	-	114,362,608*[3]
Low Kuek Kong	114,321,608	41,000	-	114,362,608*[3]
Low Kok Yong	113,601,608	41,000	-	113,642,608*[4]
Low Kok Yaow	114,321,608	41,000	-	114,362,608*[3]

DIRECTORS' REPORT (Cont'd)

	Number of warrants			
	Balance at January 1, 2019	Allotted	Sold	Balance at December 31, 2019
Direct interest				
Executors of Estate of Tan Sri Dato' Low Nam Hui	-	1,615,299	-	1,615,299
Puan Sri Datin Chan Pui Leorn	-	165,000	-	165,000
Low Quek Kiong	-	22,500	-	22,500
Low Kok Yong	-	216,000	-	216,000

	Number of warrants			
	Balance at January 1, 2019	Allotted	Sold	Balance at December 31, 2019
Deemed interest				
Puan Sri Datin Chan Pui Leorn	-	28,317,171*[5]	-	28,317,171*[5]
Low Quek Kiong	-	28,317,171*[5]	-	28,317,171*[5]
Low Kueck Shin	-	28,317,171*[5]	-	28,317,171*[5]
Low Kwek Lee	-	28,317,171*[5]	-	28,317,171*[5]
Low Kuek Kong	-	28,317,171*[5]	-	28,317,171*[5]
Low Kok Yong	-	28,317,171*[5]	-	28,317,171*[5]
Low Kok Yaow	-	28,317,171*[5]	-	28,317,171*[5]

	No. of ordinary shares			
	Balance at January 1, 2019	Bought	Sold	Balance at December 31, 2019
Shares in the subsidiary company, Harn Len Pelita Bengunan Sdn. Bhd.				
Deemed interest				
Puan Sri Datin Chan Pui Leorn	2,854,083	-	-	2,854,083
Low Quek Kiong	2,854,083	-	-	2,854,083
Low Kueck Shin	2,854,083	-	-	2,854,083
Low Kwek Lee	2,854,083	-	-	2,854,083
Low Kuek Kong	2,854,083	-	-	2,854,083
Low Kok Yong	2,854,083	-	-	2,854,083
Low Kok Yaow	2,854,083	-	-	2,854,083

*[1] Deemed interested in the shares held by the Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by her immediate family members, the Executors of Estate of Tan Sri Dato' Low Nam Hui ("Executors"), Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 8 of the Companies Act, 2016.

*2 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by his immediate family members, the Executors, Puan Sri Datin Chan Pui Leorn, Low Kok Yong and Low Siew Eng pursuant to Section 8 of the Companies Act, 2016.

*3 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by their immediate family members, the Executors, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 8 of the Companies Act, 2016.

*4 Deemed interested in the shares held by Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd, Yong Yaow Properties Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by his immediate family members, the Executors, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong and Low Siew Eng pursuant to Section 8 of the Companies Act, 2016.

*5 Deemed interested in the warrants held by Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Bhd. and Shande Ancestral Park Berhad pursuant to Section 8 of the Companies Act, 2016.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain directors of the Company are also directors and/or substantial shareholders as disclosed in Note 21 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' liability for purposes of Section 289 of the Companies Act 2016, throughout the year which provides appropriate insurance cover for the directors of the Company. The amount of insurance premium paid during the year amounted to RM21,210.

There were no indemnity given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act 2016.

DIRECTORS' REPORT (Cont'd)

AUDITORS

The auditors, Deloitte PLT, retire and do not wish to seek re-appointment.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended December 31, 2019 is as disclosed in Note 8 to the financial statements.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the Directors,

LOW QUEK KIONG

LOW KUECK SHIN

Johor Bahru
30 June 2020

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARN LEN CORPORATION BHD.
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Harn Len Corporation Bhd., which comprise the statements of financial position of the Group and of the Company as at December 31, 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 179 .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which indicates that during the year ended December 31, 2019, the Group and the Company incurred a net loss of RM60,034,973 and RM29,712,526 respectively, and as at that date, the current liabilities of the Group and of the Company exceeded their current assets by RM134,918,556 and RM72,201,018 respectively. This, and other events or conditions as disclosed in Note 2 to the financial statements, indicate that a material uncertainty exists that may cast a significant doubt on the ability of the Group and of the Company to continue as a going concern. Our opinion is not modified in respect of this matter.

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

(Incorporated in Malaysia)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Impairment of property, plant and equipment and right-of-use assets

As at December 31, 2019, the carrying amount of property, plant and equipment ("PPE") and right-of-use assets ("ROU") of the Group of RM219,106,655 and RM75,664,683 represent approximately 43% and 15%, of the total assets of the Group, respectively.

At Company level, the carrying amount of PPE and ROU is at RM28,158,227 and RM35,366,132, which represent approximately 8% and 10% of the total assets of the Company, respectively.

As required by MFRS 136 *Impairment of Assets*, management performed an impairment indicator review and assessed that there were objective evidences or indications that the PPE and ROU in certain cash generating units ("CGUs") may be impaired as a result of weakening market conditions in the palm oil industry. The plantation segment of the Group, being the main business segment registered a loss during the year and its oil mills operations did not achieve ideal capacity in the current financial year.

In performing the impairment assessment of these CGUs, management applied their judgement in determining the appropriate method in estimating recoverable amount of the CGUs based on its value-in-use ("VIU") using a projected discounted cash flow model ("DCF") or based on its fair value less costs of disposal ("FVLCD").

How the matter was addressed in our audit

We have performed the following procedures, amongst others:

- Inquired management to obtain an understanding of the PPE and ROU impairment assessment processes and evaluated the design and tested implementation of relevant controls;
- Obtained and evaluated the reasonableness of management's impairment indicators assessment;
- Assessed the appropriateness of the CGUs identified;
- Tested the recoverable amount of the respective CGU as follows:

  Recoverable amount determined via VIU

  - Obtained computation of DCF prepared by management in determining VIU for each CGU, and performed the following:
    - evaluated and challenged the appropriateness of the DCF model and methodology, including the verification of the mathematical accuracy of the underlying calculations and understanding the basis for management's estimates and judgements applied in determining discount rate and CPO price;
    - analysed current market conditions and expectations of their future performances;
    - assessed the appropriateness of the useful lives of the PPE and ROU terms;

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARN LEN CORPORATION BHD. (Cont'd)
(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Impairment of property, plant and equipment and right-of-use assets (Cont'd)

This area is a key audit matter due to its significance to the financial position of the Group and of the Company and the involvement of significant management estimates and judgements in determining the key bases and assumptions used in the DCF and FVLCD, which have been disclosed in Note 4(b)(i) to the financial statements.

As a result, during the financial year, the Group recognised impairment of PPE and ROU of RM17,765,000 and RM10,236,000 respectively.

How the matter was addressed in our audit (Cont'd)

- performed sensitivity analysis on the discount rate and CPO price to assess the reasonableness of the rate and CPO price used;
- performed retrospectively review to challenge historical and budgetary financial information used by management; and
- engaged our internal valuation specialist in challenging the appropriateness of the impairment model, discount rate and other significant assumptions applied by management in the impairment model.

Recoverable amount determined via FVLCD

- Obtained valuation report from independent valuers on the PPE and ROU in determining FVLCD for identified CGUs, and performed the followings:
  - challenged the method used by independent valuers in deriving the value;
  - challenged the basis used by independent valuers for the estimates and judgements applied as key assumptions amongst others location, area, condition, size etc;
  - evaluated the competency, capabilities and objectivity of the independent valuers; and
  - assessed the reasonableness of the value determined by independent valuers by comparing to market information.

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

(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Impairment of property, plant and equipment and right-of-use assets (Cont'd)	**How the matter was addressed in our audit (Cont'd)**
	– Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Director' Report and the Annual Report of the Company, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARN LEN CORPORATION BHD. (Cont'd)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARN LEN CORPORATION BHD. (Cont'd)
(Incorporated in Malaysia)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

NOR SUHANA BINTI SULAIMAN
Partner – 03433/05/2021 J
Chartered Accountant

Johor Bahru

June 30, 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
Revenue	5	116,901,095	185,732,150	23,685,618	39,578,691
Cost of goods sold	5	(92,886,742)	(144,837,699)	(21,889,058)	(34,593,255)
Gross profit	5	24,014,353	40,894,451	1,796,560	4,985,436
Other income		1,184,019	1,316,350	773,191	314,968
Administrative expenses		(33,940,258)	(35,067,788)	(18,470,629)	(18,841,450)
Distribution expenses		(11,910,424)	(16,417,886)	(692,975)	(1,405,359)
Other expenses		(28,001,000)	(9,476)	(9,011,000)	-
Finance income	7	10,482	10,496	2,420,378	2,226,602
Finance costs	7	(10,002,131)	(10,458,404)	(6,409,034)	(5,864,747)
Loss before tax	8	(58,644,959)	(19,732,257)	(29,593,509)	(18,584,550)
Income tax (expense) credit	9	(1,390,014)	(2,754,327)	(119,017)	838,878
Loss for the year		(60,034,973)	(22,486,584)	(29,712,526)	(17,745,672)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive loss for the year		(60,034,973)	(22,486,584)	(29,712,526)	(17,745,672)
Loss attributable to:					
Owners of the Company		(58,290,958)	(21,172,039)	(29,712,526)	(17,745,672)
Non-controlling interests	25	(1,744,015)	(1,314,545)	-	-
		(60,034,973)	(22,486,584)	(29,712,526)	(17,745,672)
Loss per share attributable to the owners of the Company					
Basic (sen)	10	(33.65)	(12.22)		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-current Assets					
Property, plant and equipment	11	219,106,655	441,248,978	28,158,227	168,486,852
Right-of-use assets*	12	75,664,683	-	35,366,132	-
Investment properties	13	109,508,211	57,607,024	75,546,629	23,560,230
Investment in subsidiaries	14	-	-	133,526,205	141,734,320
Amount owing from subsidiaries	21	-	-	5,131,896	7,360,184
Prepaid lease payment**	15	-	14,687,295	-	14,687,295
Goodwill on consolidation	16	5,794,799	5,794,799	-	-
Total Non-current Assets		410,074,348	519,338,096	277,729,089	355,828,881
Current Assets					
Biological assets	18	2,163,902	1,373,627	705,482	366,779
Inventories	19	5,195,286	4,885,288	29,407	676,237
Trade receivables	20	4,879,286	1,192,846	1,392,750	975,202
Other receivables, deposits and prepaid expenses	20	35,817,504	18,449,584	32,770,746	14,490,878
Amount owing from affiliated companies	21	3,570,244	1,724,042	1,561,158	297,190
Tax recoverable		1,057	590,537	-	-
Cash and bank balances	22	1,621,489	1,435,981	1,180,025	906,182
		53,248,768	29,651,905	37,639,568	17,712,468
Assets classified as held for sale	23	50,982,388	18,430,400	50,620,614	18,430,400
Total Current Assets		104,231,156	48,082,305	88,260,182	36,142,868
Total Assets		514,305,504	567,420,401	365,989,271	391,971,749

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2019 (Cont'd)

	Note	2019 RM	2018 RM	2019 RM	2018 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	24	198,380,013	198,380,013	198,380,013	198,380,013
Reserves	24	38,826,668	97,117,626	(1,184,686)	28,527,840
Equity attributable to owners of the Company		237,206,681	295,497,639	197,195,327	226,907,853
Non-controlling interests	25	(12,663,263)	(10,919,248)	-	-
Total Equity		224,543,418	284,578,391	197,195,327	226,907,853
Non-current Liabilities					
Deferred tax liabilities	17	19,957,446	20,981,446	-	-
Retirement benefits	26	-	-	-	-
Loans and borrowings	27	8,795,004	82,794,004	8,332,744	36,706,586
Lease liabilities*	28	21,859,924	-	-	-
Total Non-current Liabilities		50,612,374	103,775,450	8,332,744	36,706,586
Current Liabilities					
Trade payables	29	74,484,637	68,257,315	20,824,311	16,358,011
Other payables and accrued expenses	29	55,361,660	36,504,793	23,644,471	11,777,401
Amount owing to subsidiaries	21	-	-	63,148,932	66,943,174
Amount owing to affiliated companies	21	16,924,729	16,789,051	16,666,075	15,570,691
Amount owing to a director	21	960,288	510,288	960,288	510,288
Loans and borrowings	27	88,351,723	56,619,350	35,217,123	17,197,745
Tax liabilities		3,066,675	385,763	-	-
Total Current Liabilities		239,149,712	179,066,560	160,461,200	128,357,310
Total Liabilities		289,762,086	282,842,010	168,793,944	165,063,896
Total Equity and Liabilities		514,305,504	567,420,401	365,989,271	391,971,749

* the line indicated are in respect of the application of MFRS 16 in the current year only.

** the line indicated are in respect of MFRS 117 comparative only.

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Attributable to owners of the Company				Non-controlling Interests RM	Total Equity RM
		Non-distributable		Distributable			
		Share Capital RM	Treasury Shares RM	Retained Earnings RM	Total RM		
The Group							
Balance at January 1, 2018		198,380,013	(9,869,075)	128,160,792	316,671,730	(9,604,703)	307,067,027
Total comprehensive loss for the year		-	-	(21,172,039)	(21,172,039)	(1,314,545)	(22,486,584)
Purchase of treasury shares	24	-	(2,052)	-	(2,052)	-	(2,052)
Balance at December 31, 2018/ January 1, 2019		198,380,013	(9,871,127)	106,988,753	295,497,639	(10,919,248)	284,578,391
Total comprehensive loss for the year		-	-	(58,290,958)	(58,290,958)	(1,744,015)	(60,034,973)
Balance at December 31, 2019		198,380,013	(9,871,127)	48,697,795	237,206,681	(12,663,263)	224,543,418

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

		Non-distributable		Distributable	
	Note	Share Capital RM	Treasury Shares RM	Retained Earnings RM	Total Equity RM
The Company					
Balance at January 1, 2018		198,380,013	(9,869,075)	56,144,639	244,655,577
Total comprehensive loss for the year		-	-	(17,745,672)	(17,745,672)
Purchase of treasury shares	24	-	(2,052)	-	(2,052)
Balance at December 31, 2018/January 1, 2019		198,380,013	(9,871,127)	38,398,967	226,907,853
Total comprehensive loss for the year		-	-	(29,712,526)	(29,712,526)
Balance at December 31, 2019		198,380,013	(9,871,127)	8,686,441	197,195,327

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES					
Loss before tax		(58,644,959)	(19,732,257)	(29,593,509)	(18,584,550)
Adjustments for:					
Depreciation of:					
Property, plant and equipment		18,989,450	21,977,178	3,827,676	5,178,216
Right-of-use assets*		1,511,664	-	619,728	-
Impairment loss on:					
Property, plant and equipment		17,765,000	471,570	-	471,570
Right-of-use assets		10,236,000	-	-	-
Investment in subsidiaries		-	-	9,011,000	-
Finance costs		10,002,131	10,458,404	6,409,034	5,864,747
Provision for severance pay		1,979,339	1,500,000	1,979,339	1,500,000
Written off of:					
Property, plant and equipment		984,682	60,080	1	-
Inventories		309,865	921,612	309,865	5,594
Share of loss on estate and plantation management		714,678	235,008	714,678	-
Amortisation of investment properties		409,996	642,179	324,784	536,443
Allowance for doubtful debts on:					
Amount owing from subsidiaries		-	-	2,303,419	-
Amount owing from affiliated company		131,764	235,008	-	-
Allowance for doubtful debts on trade receivables no longer required		(3,494)	-	(3,494)	-
Finance income		(10,482)	(10,496)	(2,420,378)	(2,226,602)
(Gain) Loss on disposal of:					
An investment property		-	9,476	-	-
Assets classified as held for sale		(569,600)	-	(569,600)	-
Property, plant and equipment		(34,508)	-	(14,001)	-

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
(Gain) Loss on fair value of biological assets		(790,275)	66,766	(338,703)	312,020
Charge for retirement benefits		-	63,720	-	63,720
Reversal of retirement benefits		-	(960,720)	-	(960,720)
Operating Profit (Loss) Before Working Capital Changes		2,981,251	15,937,528	(7,440,161)	(7,839,562)
Movements in Working Capital:					
(Increase) Decrease in:					
Inventories		(619,863)	4,086,228	336,965	3,606,683
Trade receivables		(3,682,946)	2,367,903	(414,054)	(407,177)
Other receivables, deposits and prepaid expenses		(2,680,625)	35,386,912	(5,571,912)	15,910,844
Amount owing by subsidiary		-	-	2,334,765	2,216,106
Amount owing from affiliated company		(2,692,644)	(1,866,894)	(1,978,647)	29,974
Increase (Decrease) in:					
Trade payables		6,227,322	(5,665,265)	3,529,131	53,242
Other payables and accrued expenses		16,877,528	9,263,556	11,867,070	4,846,872
Amount owing to subsidiaries		-	-	(6,808,337)	13,036,261
Amount owing to affiliated companies		135,678	2,490,512	1,095,384	1,538,332
Cash Generated From (Used In) Operations		16,545,701	62,000,480	(3,049,796)	32,991,575
Income tax refunded		1,276,341	-	-	-
Income tax paid		(419,963)	(2,121,938)	(119,017)	-
Net Cash From (Used In) Operating Activities		17,402,079	59,878,542	(3,168,813)	32,991,575

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES					
Acquisition of:					
Property, plant and equipment	32(ii)	(5,702,219)	(31,524,409)	(2,416,709)	(6,429,623)
Right-of-use assets*		(203,508)	-	-	-
Investment properties		-	(6,185,326)	-	(3,755,326)
Prepaid lease payment		-	(734,365)	-	(734,365)
A subsidiary		-	(14,699,708)	-	(14,700,000)
Proceeds from disposal of:					
An investment property		-	2,400,000	-	-
Assets classified as held for sales		19,000,000	-	19,000,000	-
Property, plant and equipment		67,850	-	14,002	-
Interest received		10,482	10,496	10,482	10,496
Changes in pledged deposits		(10,482)	(10,496)	(10,482)	(10,496)
Net Cash From (Used In) Investing Activities		13,162,123	(50,743,808)	16,597,293	(25,619,314)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES					
Interest paid		(8,548,419)	(11,120,729)	(3,260,655)	(5,864,747)
Interest paid on lease liabilities*		(1,453,712)	-	-	-
Payment of lease liabilities*		(29,844)	-	-	-
Repayment of hire-purchase payables/finance lease payables		(1,427,854)	(3,034,143)	(172,777)	(369,743)
Drawdown of term loans		-	7,000,000	4,135,000	-
Repayment of term loans		(14,236,611)	(6,501,126)	(12,384,627)	(1,975,987)
Advances from a director		450,000	510,288	450,000	510,288
Repurchase of treasury shares		-	(2,052)	-	(2,052)
Net (repayment) utilisation of bank overdrafts		(5,142,736)	523,634	(1,932,060)	(553,619)
Net Cash Used In Financing Activities		(30,389,176)	(12,624,128)	(13,165,119)	(8,255,860)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
NET INCREASE (DECREASE) IN CASH AND BANK BALANCES		175,026	(3,489,394)	263,361	(883,599)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,057,446	4,546,840	527,647	1,411,246
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	32(i)	1,232,472	1,057,446	791,008	527,647

* The lines indicated are in respect of the application of MFRS 16 in the current year only.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in the cultivation of oil palms, operation of a palm oil mill, property investment, investment holding, and palm oil estate and plantation management.

The subsidiaries are principally involved in the cultivation of oil palms, operation of a palm oil mill, investment holding, property investment and transportation services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary is as disclosed in Note 14.

The registered office and the principal place of business of the Company is located at 6th Floor, Johor Tower, No. 15, Jalan Gereja, 80100 Johor Bahru, Johor, Malaysia.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM").

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on June 30, 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis of preparation

During the financial year ended December 31, 2019, the Group and the Company incurred a net loss after tax of RM60,034,973 and RM29,712,526 respectively, and as at that date, the current liabilities of the Group and of the Company exceeded their current assets by RM134,918,556 and RM72,201,018 respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

In addition, the Group and the Company have the following events and conditions, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as going concern:

(i) As disclosed in Note 27, a subsidiary of the Company has defaulted in payment of its overdraft facilities with a licensed bank, of which the Company acts as a corporate guarantor. Accordingly, the Company and its subsidiary received a Letter of Demand ("LOD") dated December 12, 2019 and December 20, 2019, respectively. The total amount outstanding under the overdraft facility with this licensed bank as at December 31, 2019 is RM4,990,121. The licensed bank has a right to terminate and/or recall the banking facilities granted in the event of default in payment.

On February 5, 2020, the Company provided a Letter of Undertaking to the licensed bank that it will make full settlement of debts for the said subsidiary if the subsidiary fails to pay, and to fully repay or settle the debts with the licensed bank within 14 days from the date the Company received the balance of Disposal Consideration of RM135,138,540 (net of Real Property Gain Tax) on the proposed disposal of oil palm estate and oil mill ("Proposed Disposal") as disclosed in Note 23.

(ii) As disclosed in Note 27, amounts outstanding to other licensed banks and a licensed financial institution of the Group and of the Company at year-end totalling to RM67,900,106 and RM22,712,510 respectively, are subject to cross default clause. This includes an amount of RM39,450,530 of which a subsidiary of the Company had also breached certain loan and borrowing covenants during and as at the end of the financial year.

Due to the cross default clause, a breach of any term with any of these licensed banks and a licensed financial institution represents an "Event of Default", where the licensed banks and a licensed financial institution have right to take action, including amongst others, to review the Event of Default, terminate and/or recall the facilities. At the date of this report, the Group and the Company have not received a confirmation letter from the affected licensed banks and a licensed financial institution on whether the said facilities will continue to be made available or be recalled.

(iii) As disclosed in Note 29, amounts outstanding to trade creditors as at year-end that exceeded credit terms provided to the Group and the Company amounted to RM92,724,648 and RM37,711,486 respectively. The Group and the Company have entered into settlement arrangements with certain trade creditors. Under these arrangements, late payment interest up to 24% per annum can be charged and is subject to negotiation.

(iv) The Group suffered low oil mill production levels (44% of its planned production capacity) due to cash flows constraint which limited the purchases of fresh fruits bunches from external parties.

(v) The Company experienced delays in receiving the balance of Disposal Consideration relating to the Sale and Purchase Agreement ("SPA") that was entered into on April 29, 2019 as mentioned in (i) above. Subsequent to the end of the financial year, the Company has announced that all the Conditions Precedent pursuant to the SPA have been fulfilled and the Unconditional Date for the Proposed Disposal is determined as May 22, 2020. The transaction has yet to be completed as of the date of this report.

Despite its net current liabilities position and taking into consideration the negative impact on the operations of the Group and of the Company due to COVID-19 (Note 35(ii) to the financial statements), the directors of the Company are of the view that the Group and the Company will be able to continue operating as a going concern in the foreseeable future. The following measures have been or are planned to be rolled out by the Group and the Company:

(i) Implementation of cost rationalisation which would include the reduction of staff costs, control over operational costs and control over capital expenditure;

(ii) Ceased the loss-making hotel operations on February 28, 2019 and leasing the hotel floors to external hotel operator effective August 5, 2019;

(iii) Ceased the loss-making transport business in August 2019 to ease the cash flows of the Group;

(iv) Proposed application of new banking facilities of RM60 million with a licensed bank to fix the mismatch of short-term loans which have been utilised for long term investments;

(v) Proposed divestment of certain properties which are under non-core business of the Group and of the Company through disposal or lease;

(vi) Followed through the completion of Proposed Disposal of oil palm estate and oil mill; and

(vii) Proposed private placement of up to 7,000,000 shares representing approximately 4% of the total number of issued shares of the Company for working capital purposes.

The proceeds from the Proposed Disposal as disclosed in Note 23, will be used to repay its trade creditors, certain short-term bank borrowings and to fund the working capital requirements of the Group and of the Company.

The directors will closely monitor the progress of the above measures while evaluating the impact of subsequent developments on the financial position of the Group and of the Company and will take appropriate actions, as necessary, to enhance the efficiency and productivity of the Group and of the Company.

Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

2.1 **Adoption of new and amendments to MFRS and IC Interpretation ("IC Int.")**

In the current year, the Group and the Company have applied a number of new and amendments to MFRS and IC Int. issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2019:

MFRS 16	Leases
Amendments to MFRS 9	Financial Instrument – Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures
IC Int. 23	Uncertainty over Income Tax Treatments
Amendments to MFRSs	Annual Improvements to MFRSs 2015 – 2019 Cycle: Amendments to MFRS Business Combination, MFRS 11 *Joint Arrangement*, MFRS 112 *Income Taxes* and MFRS 123 *Borrowing Costs*

The adoption of the above new and amendments to MFRS and IC Int. does not have any material impact on the financial statements of the Group and of the Company in the period of its initial application except for the initial application of MFRS 16 that resulted in changes in accounting policies adopted by the Group and the Company as reflected in Note 3 and as discussed below:

Impact of initial application of MFRS 16 *Leases*

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the initial application of MFRS 16 on financial statements of the Group and of the Company are described below.

The date of initial application of MFRS 16 for the Group and for the Company is January 1, 2019.

The Group and the Company have applied MFRS 16 using the cumulative catch-up approach which means that the cumulative impact of the adoption will be recognised in retained earnings as at January 1, 2019 and that comparatives will not be restated.

(a) Impact of the new definition of a lease

The Group and the Company has made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 will continue to be applied to those leases entered or changed before January 1, 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in MFRS 117.

The Group and the Company apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or changed on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract).

(b) Impact on Lessee Accounting

(i) Former operating leases

MFRS 16 changes how the Group and the Company accounts for leases previously classified as operating leases under MFRS 117, which were off statement of financial position.

Applying MFRS 16, for all leases (except as noted below), the Group and the Company:

- recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with MFRS 16:C8(b)(ii);
- recognise depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance to MFRS 136 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (defined based on threshold that is determined appropriate), the Company has opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within "administrative expenses" in profit or loss.

The Group and the Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117:

- the Group and the Company have elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- used hindsight when determining the lease term of the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

(ii) *Former finance leases*

For leases that were classified as finance leases applying MFRS 117, the carrying amount of the leased assets and obligations under finance leases measured applying MFRS 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in the cases where the Group and the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liabilities are accounted for applying MFRS 16 from January 1, 2019.

(c) Impact on lessor accounting

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. The activities of the Group and the Company as a lessor not material hence the changes did not significantly impact the financial statements of the Group and of the Company.

(d) Financial impact of initial application of MFRS 16

The table below show the amount of adjustment for each financial statement line item affected by application of MFRS 16 for current year:

Statement of financial position

The Group

	At January 1, 2019 (Date of initial application)		
	As previously stated RM	**Effect of adoption of MFRS 16 RM**	**As restated RM**
Non-current Assets			
Property, plant and equipment	441,248,978	(87,369,051)	353,879,927
Right-of-use assets	-	87,369,051	87,369,051
Prepaid lease payment	14,687,295	(14,687,295)	-
	455,936,273	(14,687,295)	441,248,978
Current Asset			
Other receivables, deposits and prepaid expenses	18,449,584	14,687,295	33,136,879

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	At January 1, 2019 (Date of initial application)		
	As previously stated RM	Effect of adoption of MFRS 16 RM	As restated RM
Non-current Liabilities			
Loan and borrowings	82,794,004	(21,459,426)	61,334,578
Lease liabilities	-	21,459,426	21,459,426
	82,794,004	-	82,794,004
The Company			
Non-current Assets			
Property, plant and equipment	168,486,852	(35,985,860)	132,500,992
Right-of-use assets	-	35,985,860	35,985,860
Prepaid lease expenses	14,687,295	(14,687,295)	-
	183,174,147	(14,687,295)	168,486,852
Current Asset			
Other receivables, deposit and prepaid expenses	14,490,878	14,687,295	29,178,173

Property, plant and equipment consists of leasehold land, which is reclassified to right-of-use assets upon initial application of MFRS 16. Leasehold land was previously carried at cost and amortised over the lease terms under MFRS 116. Subsequent to the reclassification, there has been no changes to the measurement of leasehold land.

The lease liabilities on leases previously classified as finance leases under MFRS 117 and previously presented within "Finance lease payable" is now presented in the line "Lease liabilities". There has been no changes in the measurement of liabilities recognised.

The prepaid lease payments which consist of variable lease payment based on the performance of the operations of the Group and of the Company have been reclassified to prepayments as disclosed in Note 20.

2.2 New and amendments to MFRS in issue but not yet effective

The new and amendments to MFRS that are issued but not yet effective up to date of issuance of the financial statements of the Group and of the Company are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Amendments to References to the Conceptual Framework in MFRS Standards[1]

MFRS 17	Insurance Contracts[2]
Amendments to MFRS 3	Definition of a Business[1]
Amendments to MFRS 101 and MFRS 108	Definition of Material[1]
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform[1]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current[3]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.
[4] Effective date deferred to a date to be determined and announced, with earlier application still permitted.

The directors anticipate that the abovementioned new and amendments to MFRS will be adopted in the financial statements of the Group and of the Company when they become effective and that the adoption of these new and amendments to MFRS will have no material impact on the amounts reported in the financial statements of the Group and of the Company in the period of its initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies stated below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value-in-use in MFRS 2 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as at the date of the event or change in circumstances that caused the transfers.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the statement of financial position of the Company at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Acquisitions of non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Non-controlling interests

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

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

Functional and Presentation Currency

The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM"), which is the functional currency and presentation currency of the Group and of the Company.

Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the customary business practices of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised at a point in time to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the performance of the Group and of the Company as the Group and the Company perform;
- the performance of the Group and of the Company create or enhance an asset that the customer controls as the asset is created or enhanced; or
- the performance of the Group and of the Company does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Sale of crude palm oil and palm kernel

Revenue from the sale of crude palm oil and palm kernel in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognised at a point in time when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant controls of ownership has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Services rendered

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

Rental income

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

Rental from car parks are recognised based on value charged to customers.

Interest income

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

Employee Benefits

Short-term employee benefits

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

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

State Plans

The contribution to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Retirement benefits

The hotel division of the Group has set up a retirement obligation for eligible employees of the division. The division sets aside amounts for retirement benefits based on the basic salary of each eligible employee at the end of each financial year of service over the employees' period of employment. The liabilities are determined by the management and it is not expected to have a material impact to the financial statements.

Borrowing Costs

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

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

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

Income Tax

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

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

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

Deferred tax assets are generally recognised for all deductible temporary difference, unutilised tax losses and unused tax credit to the extent that it is probable that taxable profits will be available against which deductible temporary difference, unutilised tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed as at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Earnings per Ordinary Share

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

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

Operating Segments

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

Property, Plant and Equipment

Recognition and measurement

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

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

Bearer plants (oil palms) that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce. New planting expenditure incurred on land clearing, upkeep of immature palms/trees and interest incurred during the immature period are capitalised. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss. An oil palm is considered matured 3 years after the month of planting.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Subsequent costs

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

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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

Leasehold land is amortised in equal instalments over the period of the respective leases which range from sixty (60) to ninety-seven (97) years. The depreciation of leasehold land is capitalised as part of the cost of bearer plants from the stage of land clearing up to the stage of maturity. Immature bearer plants are not depreciated.

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

	Years
Estate buildings	25
Roads and bridges	10
Plant and machineries	10
Motor vehicles, furniture, fittings and equipment	5 – 10
Bearer plants	25

Upon initial application of MFRS 16, leasehold land of the Group and of the Company are reclassified to right-of-use assets and continue to depreciate in similar manner. No changes on measurement of the leasehold land upon initial application of MFRS 16.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted for on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Investment Property

Investment property carried at cost

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

Investment properties are stated at cost less any accumulated amortisation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy.

Freehold land is not depreciated.

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

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

Reclassification to/from investment property

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

Leases

Policies applicable from January 1, 2019

As Lessee

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets (defined based on threshold that is determined appropriate). For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group and the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Upon initial application of MFRS 16, leasehold land of the Group and of the Company are reclassified from property, plant and equipment and continue to depreciate on a straight-line basis on a similar basis.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group and the Company apply MFRS 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As Lessor

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Policies applicable prior to January 1, 2019

As Lessee

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

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

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

As Lessor

Leases in which the Group and the Company do not transfer substantially all the risks and benefits ownership of the asset are classifies as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the lease asset and are recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Impairment of Tangible Assets

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (of cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash – generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible Assets

Goodwill on consolidation

Goodwill on consolidation arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Biological Assets

Biological assets comprise produce growing on bearer plants. Biological assets are measured at fair value less costs of disposal. Any gains or losses arising from changes in the fair value less costs of disposal are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flow from biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for the produce growing on bearer plants as they are expected to be harvested on a date not more than 12 months after the end of the reporting period.

Inventories

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

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

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

Non-current Assets Held for Sale or Distribution to Owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the accounting policies of the Group. Thereafter generally, the assets or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the accounting policies of the Group. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Affiliated Company

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

Contingent Liabilities

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

Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

<u>Initial Recognition and Classification</u>

Financial assets are subsequently measured in their entirety at either amortised cost or fair value; fair value through other comprehensive income ("FVTOCI"), or fair value through profit or loss ("FVTPL").

The classification depends on business model of the Group and of the Company for managing the financial assets and the financial asset's contractual cash flows. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The business model of the Group and of the Company for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVTOCI
  - with recycling of cumulative gains and losses (debt instruments)
  - with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial Assets at Amortised Cost (Debt Instruments)

Financial assets that are held for collection of contractual cash flows where those cash flows are SPPI, are measured at amortised cost using the effective interest rate method and are subject to impairment. Any gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial Assets at FVTOCI (Debt Instruments)

Financial assets that are held for both collection of contractual cash flows and for selling, where the assets' cash flows are SPPI, are measured at FVTOCI. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Company have not designated any financial assets at FVTOCI (debt instruments).

Financial Assets Designated at FVTOCI (Equity Instruments)

On initial recognition, the Group and the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI when they meet the definition of equity under MFRS 132 *Financial Instruments: Presentation* and are not held for trading. Gains and losses on these financial assets are never recycled to profit or loss. Dividends is recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive inome ("OCI"). Equity instruments designated at FVTOCI are not subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The Group and the Company have not designated any investments in equity instruments that are not held for trading as at FVTOCI.

Financial Assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

The Group and the Company have not designated any financial assets as at FVTPL.

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECL") for all debt instruments not held at FVTPL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group or the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group and the Company apply a simplified approach in calculating ECL for trade receivables and lease receivables, without significant financing components. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises lifetime ECL at the end of each reporting period. The expected credit losses on these financial assets are estimated using a provision matrix based on the historical credit loss experience of the Group and of the Company, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other debt instruments, the Group and the Company apply the low credit risk simplification. At the end of each reporting period, the Group and the Company evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Company reassess the internal credit rating of the debt instrument.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The Group and the Company consider that default has occurred when there is a breach of financial covenants by the counterparty or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company (without taking into account any collaterals held by the Group and the Company).

The Group and the Company write off a financial asset when there is no reasonable expectation of recovering the contractual cash flows in full. Financial assets written off may still be subject to enforcement activities under recovery procedures of the Group and of the Company, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer substantially all risks and rewards of the financial asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Company recognise its retained interest in the transferred asset to the extent of its continuing involvement. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial Liabilities and Equity Instruments

Debts or equity instruments are classified either as financial liabilities or equity in accordance to the substance of the contractual arrangements and the definition of a financial liability an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Repurchase disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable cost, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net or directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

The issuance of ordinary shares upon exercise of warrants is treated as new subscription of ordinary shares in the Company.

Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy of the Group, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 9 *Financial Instruments* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Group and the Company have not designated any financial liabilities as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not held for trading or designated as at FVTPL, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortisation cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payment to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount determined in accordance with the ECL model under MFRS 9 *Financial Instruments*; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the obligations of the Group and of the Company are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

When the Group and the Company exchange with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group and the Company account for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Provision

Provisions for liabilities are recognised when the Group and the Company have a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Current versus Non-current Classification

The Group and the Company present assets and liabilities in statements of financial position based on current/non-current classification. An asset classified as current when it is:

- expected to be realised or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts, which form an integral part of the cash management of the Group and of the Company, and excluded pledged deposits. Bank overdrafts classified as financing activities has been excluded from cash and cash equivalents.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the accounting policies of the Group, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no significant areas of estimation uncertainty and judgements made by management in the process of applying accounting policies on the amounts recognised in the financial statements other than those disclosed in the following notes:

(a) **Critical judgements in applying the accounting policies of the Group**

The following is the judgement made by directors in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements:

(i) *Classification between investment properties and owner-occupied properties*

The Group and the Company determine whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation of both. Therefore, the Group and the Company consider whether a property generated cash flows largely independent of the other assets held by the Group and the Company.

Some properties of the Group and of the Company comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the provision of services or for administrative purposes. If these portions could be sold separately (or leased out separately under finance lease), the Group and the Company account for the portions separately, the property is an investment property only if an insignificant portion is held for use in the provision of services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(ii) *Going concern*

The directors have concluded that the combination of the events and conditions as mentioned in Note 2 indicate material uncertainties that may cast significant doubt over the ability of the Group and of the Company to continue as going concern. Should the going concern basis for the preparation of the financial statements be longer appropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

In making the assessment whether the Group and the Company are able to continue as going concern, the directors have prepared appropriate action plans/proposals to address the effect of those events or conditions which are disclosed in Note 2.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

(b) **Key sources of estimation uncertainty**

The directors believe that there are no key assumptions made concerning the future and other key sources of estimation uncertainty as at the end of the reporting period, that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

(i) *Impairment of property, plant and equipment ("PPE") and right-of-use assets ("ROU")*

As at December 31, 2019, the carrying amount of PPE and ROU of the Group are amounting to RM219,106,655 and RM75,664,683 which represents approximately 43% and 15% of total assets of the Group, respectively.

At Company level, the carrying amount of PPE and ROU is at RM28,158,227 and RM35,366,132, which represent approximately 8% and 10% of the total assets of the Company, respectively.

As required by MFRS 136 *Impairment of Assets*, management performed an impairment indicator review and assessed that there were objective evidences or indications that the PPE and ROU in certain cash generating units ("CGUs") may be impaired as a result of weakening market conditions in the palm oil industry. The plantation segment of the Group, being the main business segment registered a loss during the year and its oil mills operations did not achieve ideal capacity in the current financial year.

In performing the impairment assessment of these CGUs, management applied their judgement in determining the appropriate method in estimating recoverable amount of CGUs based on its value-in-use ("VIU") using a projected discounted cash flow model ("DCF") or based on its fair value less costs of disposal ("FVLCD").

This area is a key audit matter due to its significance to the financial position of the Group and of the Company involvement of significant management estimates and judgements in determining the key bases and assumptions used in the DCF and FVLCD are as follows:

Recoverable amount determined via VIU

The recoverable amount of the CGUs is estimated based on its VIU, on the assumption that the Group maintains the rights to control the plantation estate.

The key assumptions used in the valuation, based on VIU are as follows:

Duration of cash flow projection	20 – 30 years
Commodity price/Metric tonnes ("MT")	RM2,300 – RM2,400
Pre-tax discount rate	12.06% - 17.78%
Palm Yield rate MT/Hectare ("HA")	5 - 21
Plantation expenditure projection	Historical trend
Hectarage	298 - 6,223

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The above estimates are particularly sensitive in the following areas (if other variables were held constant):

(a) An increase in 1% in the discount rate increased the impairment loss by RM4,476,000; and
(b) A 11% decrease in selling price would increased the impairment loss by RM50,224,000.

Following the assessment, the estimated recoverable amounts determined via VIU is lower than the carrying amounts as at December 31, 2019 and thus, impairment loss of RM28,001,000 has been recognised as other expenses in the profit or loss.

Recoverable amount determined via FVLCD

The fair value of certain CGU has also been determined on the basis of valuations carried out as at the end of the reporting period by an independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not related to the Company. The fair value was determined based on the comparison approach. The comparison approach reflects recent transaction prices for similar properties and adjust to reflect the conditions and locations of the subject property.

Following the assessment, directors of the Company regard that the estimated recoverable amount determined via FVLCD was higher than the carrying amount of the CGU as at December 31, 2019 and thus, no impairment loss to be recognised during the year for this CGU.

(ii) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the VIU of the CGUs to which goodwill is allocated. Estimating a VIU amount requires the directors to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in estimates applied will have impact to the carrying amount of the goodwill recognised.

The carrying amount of goodwill as at December 31, 2019 is RM5,794,799 (2018: RM5,794,799). The directors estimates that no further impairment loss to be recognised in profit or loss of the Group for the financial year ended December 31, 2019.

The methodology and bases of the estimates are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

(iii) *Impairment of investment in subsidiaries and allowance for doubtful debts on amount owing from subsidiaries*

The Company assesses whether there is any indication of impairment for investment in subsidiaries. Reviews are performed regularly if events indicate that this is necessary. In performing the impairment assessment of investment in subsidiaries, the management estimated their recoverable amount based on its VIU using a projected discounted cash flow model. The impairment assessment involved significant management estimates and judgement in determining the key basis and assumption used in the DCF. Changes in estimates will have impact to the carrying amount of the investment in subsidiaries.

The amount of impairment on investment in subsidiaries and allowance for doubtful debts on amount owing from subsidiaries as at the end of the reporting period is as disclosed in Note 14 and Note 21.

5. REVENUE, COST OF GOODS SOLD AND GROSS PROFIT

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Disaggregation of revenue:				
Plantation income	113,713,853	178,084,624	20,780,179	31,941,220
Property, hotel and other income	3,187,242	7,647,526	2,905,439	7,637,471
Total revenue	116,901,095	185,732,150	23,685,618	39,578,691
Cost of sales of agricultural produces	(86,018,723)	(134,621,824)	(15,363,916)	(24,377,380)
Cost of services	(6,868,019)	(10,215,875)	(6,525,142)	(10,215,875)
Total cost of goods sold	(92,886,742)	(144,837,699)	(21,889,058)	(34,593,255)
Gross profit	24,014,353	40,894,451	1,796,560	4,985,436

There were no transaction price allocated to unsatisfied performance obligations as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

6. SEGMENTAL ANALYSIS

Business Segments

For management purposes, the Group is organised into the following reportable operating segments based on their products and services and similar economic characteristics:

- Plantation - The operation of oil palm estate, palm oil mills, sales and purchase of fresh fruit bunches, sales and trading of crude palm oil and palm kernel and the provision of plantation development contract services to related parties and external customers.

- Property, hotel and others - Property investment, hotel operation and others

On February 28, 2019, the Company ceased its hotel operation which formed part of its business plan to improve cash flows and financial results of the Group and of the Company and leased the hotel building to a third party effective August 1, 2019 where the hotel building has been reclassified to investment property which is disclosed in Note 13.

In addition, the Group ventured into a food and beverage business during the year. There is no segregated business segment as the business contribution is immaterial to the Group. The rental income arising from hotel operations and food and beverage business is grouped under "Property, hotel and others".

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Operating profit or loss are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess the performance of the Group. The income taxes of the Group are managed on a group basis and are not allocated to operating segments.

Segment capital expenditure comprises additions to property, plant and equipment, right-of-use assets and investment properties.

No geographical segmental analysis is presented as the Group operates principally in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Plantation RM	Property, hotel and other RM	Elimination RM	Total RM
The Group				
2019				
Revenue				
External sales	113,713,853	3,187,242	-	116,901,095
Inter-segment income^	19,701,444	30,000	(19,731,444)	-
Total revenue	133,415,297	3,217,242	(19,731,444)	116,901,095
Segment results	(39,331,253)	(3,630,320)	-	(42,961,573)
Finance costs	(8,819,329)	(1,182,802)	-	(10,002,131)
Unallocated expenses:				
Director's remuneration				(5,567,650)
Others				(113,605)
Loss before tax				(58,644,959)
Assets				
Reported segment assets	329,437,276	130,816,253	-	460,253,529
Unallocated corporate assets				54,051,975
Consolidated total assets				514,305,504
Liabilities				
Segment liabilities	235,232,405	36,609,496	-	271,841,901
Unallocated corporate liabilities				17,920,185
Consolidated total liabilities				289,762,086
The Group				
2018				
Revenue				
External sales	178,084,624	7,647,526	-	185,732,150
Inter-segment income^	43,662,557	-	(43,662,557)	-
Total revenue	221,747,181	7,647,526	(43,662,557)	185,732,150
Segment results	971,301	(4,464,496)	-	(3,493,195)
Finance costs	(7,545,248)	(2,913,156)	-	(10,458,404)
Unallocated expenses:				
Directors' remuneration				(5,747,420)
Others				(33,238)
Loss before tax				(19,732,257)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Plantation RM	Property, hotel and other RM	Elimination RM	Total RM
Assets				
Reported segment assets	422,864,035	122,553,111	-	545,417,146
Unallocated corporate assets				22,003,255
Consolidated total assets				567,420,401
Liabilities				
Segment liabilities	213,537,468	50,469,204	-	264,006,672
Unallocated corporate liabilities				18,835,338
Consolidated total liabilities				282,842,010

^ Inter-segment income is eliminated on consolidation and reflected in the elimination column

Included in revenue arising from external sales of RM116,901,095 (2018: RM185,732,150) is revenue of approximately RM85,521,078 (2018: RM145,320,967) which arose from sales to the largest customer of the Group. No other single customer contributed 10% or more to the revenue of the Group for both 2019 and 2018.

7. FINANCE INCOME AND FINANCE COSTS

Finance income consists of the following:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interests arising from:				
Fixed deposits	10,482	10,496	10,482	10,496
Amount owing by subsidiaries (Note 21)	-	-	2,409,896	2,216,106
	10,482	10,496	2,420,378	2,226,602

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Finance cost consists of the following:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Interest on:				
Amount owing to subsidiaries (Note 21)	-	-	2,211,210	1,640,494
Trade and other payables	1,681,427	1,722,997	937,169	310,075
Term loans	3,706,193	4,946,077	2,206,218	2,913,157
Bank overdrafts	3,463,735	3,286,063	1,050,652	984,957
Lease liabilities	1,453,712	1,108,153	-	-
Hire-purchase payables	127,406	251,685	3,785	16,064
	10,432,473	11,314,975	6,409,034	5,864,747
Interest capitalised in bearer plant (Note 11)	(430,342)	(856,571)	-	-
	10,002,131	10,458,404	6,409,034	5,864,747

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting) the following:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Staff costs (including key management personnel) (Note 21)	17,269,003	27,015,438	14,614,945	17,581,621
Depreciation of:				
Property, plant and equipment (Note 32(iii))	18,989,450	21,977,178	3,827,675	5,178,216
Right-of-use assets (Note 32(iv))	1,511,664	-	619,728	-
Impairment loss on:				
Property, plant and equipment (Note 11)	17,765,000	471,570	-	471,570
Right-of-use asset (Note 12)	10,236,000	-	-	-
Investment in subsidiaries (Note 14)	-	-	9,011,000	-
Directors' remuneration	5,567,650	5,747,420	5,350,450	5,530,220
Provision of severance pay	1,979,339	1,500,000	1,979,339	1,500,000
Share of loss on estate and plantation management (Note 21)	714,678	235,008	714,678	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Amortisation of investment properties (Note 13)	409,996	642,179	324,784	536,443
Written off:				
Property, plant and equipment	984,682	60,080	1	-
Inventories	309,865	921,612	309,865	5,594
Audit fee:				
Statutory audit	212,300	193,000	104,500	95,000
Non-statutory audit	22,000	20,000	22,000	20,000
Expenses relating to short-term leases:				
Machineries	129,298	-	129,298	-
Office equipment	21,237	-	21,237	-
Allowance for doubtful debts on:				
Amount owing from subsidiaries (Note 21)	-	-	2,303,419	-
Amount owing from affiliated companies (Note 21)	131,764	235,008	-	-
(Gain) Loss on fair value of biological assets (Note 18)	(790,275)	66,766	(338,703)	312,020
(Gain) Loss on disposal of:				
An investment property	-	9,476	-	-
Assets classified as held for sale	(569,600)	-	(569,600)	-
Property, plant and equipment	(34,508)	-	(14,001)	-
Allowance for doubtful debts on trade receivables no longer required (Note 20)	(3,494)	-	(3,494)	-
Hiring of machineries	-	1,941,678	-	250,054
Charge for retirement benefits (Note 26)	-	63,720	-	63,720
Rental of equipment	-	19,378	-	19,378
Reversal of retirement benefits (Note 26)	-	(960,720)	-	(960,720)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Included in staff costs are the following:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Staff costs	16,103,676	25,628,551	14,118,654	16,781,115
Less:				
Capitalised in bearer plants (Note 11)	(692,904)	(860,791)	(692,904)	(811,400)
	15,410,772	24,767,760	13,425,750	15,969,715
Contributions to state plans	1,858,231	2,247,678	1,189,195	1,611,906
	17,269,003	27,015,438	14,614,945	17,581,621

The breakdown of directors' remuneration are as follows:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Directors of the Company				
Non-executive Directors:				
Fees	200,000	200,000	200,000	200,000
Allowances and other emoluments	190,000	149,000	190,000	149,000
	390,000	349,000	390,000	349,000
Executive Directors:				
Salaries, bonus and allowances	4,612,750	4,832,500	4,408,750	4,628,500
Fees	3,600	3,600	-	-
Defined contribution plan	551,700	552,720	551,700	552,720
	5,168,050	5,388,820	4,960,450	5,181,220
Directors of a subsidiary				
Executive Directors:				
Fees	9,600	9,600	-	-
	5,567,650	5,747,420	5,350,450	5,530,220

The estimated monetary value of directors' benefit-in-kind for the Group and for the Company is RM159,000 (2018: RM205,300).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

9. INCOME TAX (EXPENSE) CREDIT

	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
Current tax expense:				
Current year	(2,425,649)	(1,596,844)	-	-
Over(Under)provision in prior year	11,635	(181,996)	(119,017)	(44,122)
	(2,414,014)	(1,778,840)	(119,017)	(44,122)
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	1,006,000	(2,065,487)	-	-
Overprovision in prior year	18,000	1,090,000	-	883,000
	1,024,000	(975,487)	-	883,000
	(1,390,014)	(2,754,327)	(119,017)	838,878

Malaysian corporate income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the year.

The reconciliation between tax expense and accounting profit multiplied by the applicable statutory tax rate are as follows:

	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
Loss before tax	(58,644,959)	(19,732,257)	(29,593,509)	(18,584,550)
Tax at the applicable statutory calculated tax rate of 24% (2018: 24%)	14,074,000	4,735,742	7,102,000	4,460,292
Tax effects of:				
Expenses that are not deductible in determining taxable profit	(7,146,649)	(5,861,073)	(4,533,000)	(2,381,590)
Income that is not taxable in determining taxable profit	-	-	580,000	508,087
Deferred tax assets not recognised	(8,347,000)	(2,537,000)	(3,149,000)	(958,000)
Group relief	-	-	-	(1,628,789)
Over(Under)provision in prior year:				
Income tax	11,635	(181,996)	(119,017)	(44,122)
Deferred tax	18,000	1,090,000	-	883,000
Tax (expense) credit for the year	(1,390,014)	(2,754,327)	(119,017)	838,878

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

As mentioned in Note 3, deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances and unutilised tax losses can be utilised.

As at December 31, 2019, the net taxable temporary differences, unabsorbed capital allowances and unutilised tax losses of the Group and of the Company of which deferred tax assets have not been recognised in the financial statements due to uncertainty of their realisation in the foreseeable future, are as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Taxable temporary differences	(159,942,000)	(149,027,000)	(35,816,000)	(33,215,000)
Unabsorbed capital allowances	121,370,000	109,629,000	27,062,000	23,030,000
Unutilised tax losses	121,460,000	87,506,000	39,336,000	27,643,000
	82,888,000	48,108,000	30,582,000	17,458,000

The comparative figures have been revised to reflect the previous year's final tax submission.

The unabsorbed capital allowances and unutilised tax losses, which are subject to agreement by tax authorities, are available for offset against the future taxable profit.

The unutilised tax losses which are available to offset against future taxable profits of the Group and the Company, having the following expiry:

The Group	**RM**	**Carried forward up to YA**	**Unutilised amount will be disregarded in YA**
Business loss incurred in Year of Assessment ("YA"):			
Up to 2018	87,506,000	2025	2026
2019	33,954,000	2026	2027
	121,460,000		

(Forward)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The Company	**RM**	**Carried forward up to YA**	**Unutilised amount will be disregarded in YA**
Business loss incurred in YA:			
Up to 2018	27,643,000	2025	2026
2019	11,693,000	2026	2027
	39,336,000		

The unabsorbed capital allowance are available to offset against future taxable profits indefinitely.

10. LOSS PER SHARE

Basic/Diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	The Group 2019 RM	**2018 RM**
Loss for the year attributable to owners of the Company (i)	(58,290,958)	(21,172,039)
Weighted average number of ordinary shares for the purposes of basic earnings per share (ii)	173,219,859	173,220,567
Basic loss per share (sen) (i)/(ii)	(33.65)	(12.22)

The fully diluted loss per ordinary share of the Group for 2019 was the same as the basic loss per ordinary share for the Group as the Warrants at the end of the financial year had anti-dilutive effect since the exercise price of the Warrants was above the average market value of the shares of the Company during the financial year ended December 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

11. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and Buildings RM	Bearer Plants RM	Roads and Bridges RM	Plant and Machineries RM	Motor Vehicles, Furniture, Fittings and Equipment RM	Construction-in-progress RM	Total RM
Cost							
Balance at January 1, 2018	263,958,979	207,491,883	23,240,880	54,728,438	50,761,916	1,265,930	601,448,026
Additions	7,475,634	18,365,926	8,270,196	704,152	2,967,023	60,000	37,842,931
Written off	-	(60,080)	-	-	-	-	(60,080)
Balance at December 31, 2018	271,434,613	225,797,729	31,511,076	55,432,590	53,728,939	1,325,930	639,230,877
Effect of initial application of MFRS 16 (Note 12)	(108,754,841)	-	-	-	-	-	(108,754,841)
Balance at January 1, 2019	162,679,772	225,797,729	31,511,076	55,432,590	53,728,939	1,325,930	530,476,036
Additions	1,243,604	4,586,805	-	207,177	232,187	23,000	6,292,773
Disposals	-	-	-	-	(414,203)	-	(414,203)
Written off	-	(984,682)	-	(20,000)	-	-	(1,004,682)
Transfer to assets classified as held for sale (Note 23)	(46,780,879)	(13,691,852)	-	(14,579,392)	(3,664,978)	(1,268,530)	(79,985,631)
Transfer to investment properties (Note 13)	(67,491,671)	-	-	-	-	-	(67,491,671)
Balance at December 31, 2019	49,650,826	215,708,000	31,511,076	41,040,375	49,881,945	80,400	387,872,622

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Land and Buildings RM	Bearer Plants RM	Roads and Bridges RM	Plant and Machineries RM	Vehicles, Furniture, Fittings and Equipment RM	Construction-in-progress RM	Total RM
Accumulated Depreciation							
Balance at January 1, 2018	48,489,748	37,286,487	17,675,217	30,991,158	38,499,517	-	172,942,127
Charge for the year	5,344,239	5,339,604	1,739,783	4,477,984	5,471,313	-	22,372,923
Balance at December 31, 2018	53,833,987	42,626,091	19,415,000	35,469,142	43,970,830	-	195,315,050
Effect of initial application of MFRS 16 (Note 12)	(19,190,511)	-	-	-	-	-	(19,190,511)
Balance at January 1, 2019	34,643,476	42,626,091	19,415,000	35,469,142	43,970,830	-	176,124,539
Charge for the year	3,482,242	5,970,283	1,653,696	4,047,964	3,835,265	-	18,989,450
Disposals	-	-	-	-	(380,862)	-	(380,862)
Written off	-	-	-	(19,999)	-	-	(19,999)
Transfer to assets classified as held for sale (Note 23)	(11,695,977)	(1,319,482)	-	(12,719,165)	(3,268,619)	-	(29,003,243)
Transfer to investment properties (Note 13)	(15,180,488)	-	-	-	-	-	(15,180,488)
Balance at December 31, 2019	11,249,253	47,276,892	21,068,696	26,777,942	44,156,614	-	150,529,397

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Land and Buildings RM	Bearer Plants RM	Roads and Bridges RM	Plant and Machineries RM	Motor Vehicles, Furniture, Fittings and Equipment RM	Construction-in-progress RM	Total RM
Accumulated Impairment Losses							
Balance at January 1, 2018	2,195,279	-	-	-	-	-	2,195,279
Charge for the year	-	-	-	-	471,570	-	471,570
Balance at December 31, 2018	2,195,279	-	-	-	471,570	-	2,666,849
Effect of initial application of MFRS 16 (Note 12)	(2,195,279)	-	-	-	-	-	(2,195,279)
Balance at January 1, 2019	-	-	-	-	471,570	-	471,570
Charge for the year	-	17,765,000	-	-	-	-	17,765,000
Balance at December 31, 2019	-	17,765,000	-	-	471,570	-	18,236,570
Carrying amount							
Balance at December 31, 2018	215,405,347	183,171,638	12,096,076	19,963,448	9,286,539	1,325,930	441,248,978
Balance at December 31, 2019	38,401,573	150,666,108	10,442,380	14,262,433	5,253,761	80,400	219,106,655

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Land and Buildings RM	Bearer Plants RM	Roads and Bridges RM	Plant and Machineries RM	Motor Vehicles, Furniture, Fittings and Equipment RM	Construction-in-progress RM	Total RM
The Company							
Cost							
Balance at January 1, 2018	173,226,840	26,862,065	541,800	16,381,526	16,021,660	1,208,530	234,242,421
Additions	1,025,100	1,291,181	3,422,903	195,472	434,967	60,000	6,429,623
Balance at December 31, 2018	174,251,940	28,153,246	3,964,703	16,576,998	16,456,627	1,268,530	240,672,044
Effect of initial application of MFRS 16 (Note 12)	(45,540,000)	-	-	-	-	-	(45,540,000)
Balance at January 1, 2019	128,711,940	28,153,246	3,964,703	16,576,998	16,456,627	1,268,530	195,132,044
Additions	1,243,604	962,328	-	187,777	-	23,000	2,416,709
Disposals	-	-	-	-	(364,203)	-	(364,203)
Written off	-	-	-	(20,000)	-	-	(20,000)
Transfer to assets classified as held for sale (Note 23)	(46,780,879)	(13,691,852)	-	(14,579,392)	(600,772)	(1,268,530)	(76,921,425)
Transfer to investment properties (Note 13)	(67,491,671)	-	-	-	-	-	(67,491,671)
Balance at December 31, 2019	15,682,994	15,423,722	3,964,703	2,165,383	15,491,652	23,000	52,751,454

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Land and Buildings RM	Bearer Plants RM	Roads and Bridges RM	Plant and Machineries RM	Motor Vehicles, Furniture, Fittings and Equipment RM	Construction-in-progress RM	Total RM
Accumulated Depreciation							
Balance at January 1, 2018	34,774,846	3,721,757	456,438	13,910,118	13,672,247	-	66,535,406
Charge for the year	2,874,096	839,760	54,216	537,537	872,607	-	5,178,216
Balance at December 31, 2018	37,648,942	4,561,517	510,654	14,447,655	14,544,854	-	71,713,622
Effect of initial application of MFRS 16 (Note 12)	(9,554,140)	-	-	-	-	-	(9,554,140)
Balance at January 1, 2019	28,094,802	4,561,517	510,654	14,447,655	14,544,854	-	62,159,482
Charge for the year	2,014,781	740,315	373,272	289,221	410,086	-	3,827,675
Disposals	-	-	-	-	(364,202)	-	(364,202)
Written off	-	-	-	(19,999)	-	-	(19,999)
Transfer to assets classified as held for sale (Note 23)	(11,695,977)	(1,319,482)	-	(12,719,165)	(566,187)	-	(26,300,811)
Transfer to investment properties (Note 13)	(15,180,488)	-	-	-	-	-	(15,180,488)
Balance at December 31, 2019	3,233,118	3,982,350	883,926	1,997,712	14,024,551	-	24,121,657
Accumulated Impairment Losses							
Balance at January 1, 2018	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	471,570	-	471,570
Balance at December 31, 2018/ January 1, 2019/ December 31, 2019	-	-	-	-	471,570	-	471,570

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Land and Buildings RM	Bearer Plants RM	Roads and Bridges RM	Plant and Machineries RM	Motor Vehicles, Furniture, Fittings and Equipment RM	Construction-in-progress RM	Total RM
Carrying Amount							
Balance at December 31, 2018	136,602,998	23,591,729	3,454,049	2,129,343	1,440,203	1,268,530	168,486,852
Balance at December 31, 2019	12,449,876	11,441,372	3,080,777	167,671	995,531	23,000	28,158,227

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Carrying amounts of land and buildings				
Freehold land	-	20,770,000	-	20,770,000
Long-term leasehold land	-	124,868,842	-	79,735,637
Buildings	38,401,573	69,766,505	12,449,876	36,097,361
	38,401,573	215,405,347	12,449,876	136,602,998

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Included in bearer plants of the Group and of the Company are the following:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Staff costs (Note 8)	692,904	860,791	692,904	811,400
Depreciation of leasehold land	160,212	395,745	-	-
Finance cost (Note 7)	430,342	856,571	-	-

Impairment loss

As required by MFRS 136 *Impairment of Assets*, management performed an impairment indicator review and assessed that there was objective evidences or indications that the property, plant and equipment in certain cash generating units ("CGUs") may be impaired as a result of weakening market conditions in the palm oil industry. The plantation segment of the Group, being the main business segment registered a loss during the year and its oil mills operations did not achieve ideal capacity in the current financial year.

In performing the impairment assessment of these CGUs, management applied their judgement in determining appropriate method is estimating recoverable amount of CGUs based on its value-in-use ("VIU") using a projected discounted cash flow model ("DCF") or based on its fair value loss costs of disposal ("FVLCD").

As a result, during the financial year, the Group recognised impairment of property, plant and equipment of RM17,765,000.

Security

Land and buildings of the Group and of the Company with a carrying amount of RM8,840,668 (2018: RM84,475,104 and RM62,062,242) respectively, are charged to banks as security for banking facilities granted to the Company and a subsidiary as disclosed in Note 27.

Leased assets

Included in the property, plant and equipment of the Group and of the Company in prior year were motor vehicles and equipment acquired by means of hire-purchase arrangements with carrying amount RM3,874,790 and RM150,961 respectively.

Others

(i) The Company has entered into agreements with Native Customary Rights Land's Owner ("NCR Owners") for the rights to develop an area in Sarawak into oil palm plantation for a lease period of 60 years. In consideration of the Company procuring the alienation of the lease, the NCR Owners are entitled to share of profit from the development at the agreed value, which ranged from RM264 per hectare to RM333 per hectare to be paid in an annual basis up to the expiry of the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Upon initial application of MFRS 16, the leasehold land of the Group and of the Company have been reclassified to right-of-use assets as disclosed in Note 12.

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

In consideration of Pelita procuring the alienation of the lease as contribution for the 30% shareholding of the NCR Owners and capital contributions from the other shareholders, the subsidiary shall progressively increase its issued and paid-up share capital. In the year 2010, 1,982 hectares of the land at the agreed value of RM1,200 per hectare has been developed and surrendered by the NCR Owners and in accordance with the agreements entered into, an amount of RM1,427,040 (being 60% of the agreed value of land) was credited as fully paid-up shares of the subsidiary and these shares were issued to Pelita as trustees for the NCR Owners.

In year 2016, the Company was served with a Writ and Statement of Claim by the High Court of Sabah and Sarawak, further details are disclosed in Note 33(ii).

Upon initial application of MFRS 16, the leasehold land of the Group and of the Company have been reclassified to right-of-use assets as disclosed in Note 12.

(iii) On April 29, 2019, the Company entered into a Sale and Purchase Agreement ("SPA") with Far East Holdings Berhad, a third-party, to dispose a part of the estate located in the State of Pahang together with an oil mill for a total consideration of approximately RM183,000,000 ("Proposed Disposal"). The Proposed Disposal has been approved by the shareholders on August 13, 2019. Accordingly, a portion of property, plant and equipment of the Group and of the Company pertaining to the sale had been transferred as assets classified as held for sale, as disclosed in Note 23.

(iv) As disclosed in Note 35(iii), on January 13, 2020, a subsidiary of the Company, Tanaim Sdn. Bhd. ("Tanaim"), has been authorised to dispose its trailers to a third party, for a total consideration of RM850,000. Accordingly, the said trailers in Tanaim have been transferred as assets classified as held for sale, as disclosed in Note 23. The disposal was subsequently completed on March 12, 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

12. RIGHT-OF-USE ASSETS

	Long term Leasehold Land	
	The Group RM	The Company RM
Cost		
Balance at January 1, 2018/December 31, 2018	-	-
Effect of initial application of MFRS 16 (Note 11)	108,754,841	45,540,000
Balance at January 1, 2019	108,754,841	45,540,000
Additions	203,508	-
Balance at December 31, 2019	108,958,349	45,540,000
Accumulated Depreciation		
Balance at January 1, 2018/December 31, 2018	-	-
Effect of initial application of MFRS 16 (Note 11)	19,190,511	9,554,140
Balance at January 1, 2019	19,190,511	9,554,140
Charge for the year	1,671,876	619,728
Balance at December 31, 2019	20,862,387	10,173,868
Accumulated Impairment Losses		
Balance at January 1, 2018/December 31, 2018	-	-
Effect of initial application of MFRS 16 (Note 11)	2,195,279	-
Balance at January 1, 2019	2,195,279	-
Charge for the year	10,236,000	-
Balance at December 31, 2019	12,431,279	-
Carrying Amount		
Balance at December 31, 2018	-	-
Balance at December 31, 2019	75,664,683	35,366,132

The leasehold land of the Group and of the Company represents leasehold land with lease terms that range from 60 to 97 years. Upon initial application of MFRS 16, the leasehold land as disclosed in Note 11 have been reclassified to right-of-use assets and continue to be depreciated in a similar manner.

Impairment loss

As required by MFRS 136 *Impairment of Assets*, management performed an impairment indicator review and assessed that there was objective evidences or indications that the right-of-use assets in certain CGUs may be impaired as a result of weakening market conditions in the palm oil industry. The plantation segment of the Group, being the main business segment registered a loss during the year and its oil mills operations did not achieve ideal capacity in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

In performing the impairment assessment of these CGUs, management applied their judgement in determining appropriate method is estimating recoverable amount of CGUs based on its VIU using a projected DCF or based on its FVLCD.

As a result during the financial year, the Group recognised impairment of right-of-use assets of RM10,236,000.

13. INVESTMENT PROPERTIES

	Land and Buildings	
	The Group RM	The Company RM
Cost		
Balance at January 1, 2018	44,508,872	39,800,272
Additions	6,185,326	3,755,326
Acquisition of subsidiary company (Note 14)	29,626,821	-
Disposals	(2,430,000)	-
Transfer to assets classified as held for sale (Note 23)	(18,759,379)	(18,759,379)
Balance at December 31, 2018/January 1, 2019	59,131,640	24,796,219
Transfer from property, plant and equipment (Note 11)	67,491,671	67,491,671
Balance at December 31, 2019	126,623,311	92,287,890
Accumulated Amortisation		
Balance at January 1, 2018	1,231,940	1,028,525
Charge for the year	642,179	536,443
Disposal	(20,524)	-
Transfer to assets classified as held for sale (Note 23)	(328,979)	(328,979)
Balance at December 31, 2018/January 1, 2019	1,524,616	1,235,989
Charge for the year (Note 8)	409,996	324,784
Transfer from property, plant and equipment (Note 11)	15,180,488	15,180,488
Balance at December 31, 2019	17,115,100	16,741,261
Carrying Amount		
Balance at December 31, 2018	57,607,024	23,560,230
Balance at December 31, 2019	109,508,211	75,546,629

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Included in the above are the following:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Carrying Amount				
Freehold land	63,092,949	42,322,949	33,466,128	12,696,128
Long term leasehold land	4,334,761	4,419,973	-	-
Buildings	42,080,501	10,864,102	42,080,501	10,864,102
	109,508,211	57,607,024	75,546,629	23,560,230

A piece of freehold land and building as disclosed in Note 11 have been reclassified to investment properties and continue to be depreciated in a similar manner.

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

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Rental income	2,713,120	2,114,206	2,713,120	2,114,151
Parking fee income	115,101	-	115,101	-
Direct operating expenses:				
Income generating investment properties	117,027	373,811	34,796	354,911
Non-income generating investment properties	4,098	396,992	3,600	311,780

The investment properties comprise vacant land, agricultural land and shophouses that are leased to third parties.

Certain of the investment properties are leasehold land and buildings with varying lease terms. Judgement is involved in determining whether the said investment properties are to be classified as operating lease or finance lease. Based on the assessment performed by the directors of the Group and of the Company, the said investment properties have met the definition of a finance lease, in accordance with MFRS 117 *Leases* prior to the initial application of MFRS 16. Upon initial application of MFRS 16, the Group and the Company have made use of the practical expedient available on transition to MFRS 16, thus the definition of a lease in accordance with MFRS 117 will continue to be applied to those leases entered before January 1, 2019.

The investment properties are stated at cost less any amortisation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Security

Total land and buildings of the Company with a carrying amount of RM69,854,745 (2018: RM33,963,258) is pledged to a licensed bank for facilities granted to the Company.

Fair value information

The fair value of investment properties is categorised as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Freehold land and building	133,690,000	57,800,000	29,690,000	29,800,000
Long term leasehold land and building	8,530,000	8,220,000	-	-
	142,220,000	66,020,000	29,690,000	29,800,000

The fair value of the investment properties as at December 31, 2019 have been determined on the basis of valuations carried out as at the end of the reporting period by an independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not related to the Company. The fair value was determined based on the comparison approach. The comparison approach reflects recent transaction prices for similar properties and adjust to reflect the conditions and locations of the subject property.

14. INVESTMENT IN SUBSIDIARIES

	The Company	
	2019 RM	2018 RM
Unquoted shares, at cost	78,410,447	50,410,447
Add: Addition	-	28,000,000
	78,410,447	78,410,447
Less: Accumulated impairment losses	(25,332,239)	(16,321,239)
	53,078,208	62,089,208
Amount due from subsidiaries	80,447,997	79,645,112
	133,526,205	141,734,320

The amount due from subsidiaries were utilised for capital expenditures of the subsidiaries with long gestation period and therefore are considered as part of investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Analysis of acquisition of subsidiaries

In 2018, the Group acquired the entire equity interest in Midwest Equity Sdn. Bhd. ("Midwest") for a total cash consideration of RM14,700,000.

The fair values of assets acquired and liabilities assumed are as follows:

	Fair value recognised on acquisition date 2018 RM
Non-current asset	
Investment properties	29,626,821
Current assets	
Other receivables	10,000
Cash and bank balances	292
Non-current liabilities	
Loan and other borrowings	(13,300,000)
Deferred tax liabilities	(1,118,446)
Current liability	
Other payables	(518,667)
Net assets acquired and liabilities assumed	14,700,000

The net cash outflow on acquisition of a subsidiary is as follows:

	The Group 2018 RM
Consideration paid in cash	14,700,000
Less: Cash and bank balances acquired	(292)
Net cash outflow on acquisition	14,699,708

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The subsidiary companies which are incorporated and operating in Malaysia are as follows:

Name of Company	Principal Activities	Effective ownership interest and voting interest 2019 %	2018 %
Masranti Plantation Sdn. Bhd.	Cultivation of oil palms and operation of a palm oil mill	100	100
Harn Len Realty (Serian) Sdn. Bhd. [(a)]	Cultivation of oil palms	100	100
Harn Len Management Sdn. Bhd. [(b)]	Dormant	100	100
Nusantara Daya Sdn. Bhd.	Investment holding	100	100
Premium Dragon Sdn. Bhd.	Investment holding	100	100
Harn Len Realty (Tampoi) Sdn. Bhd.	Property investment	100	100
Zhangxern Corporation Sdn. Bhd.	Property investment	100	100
Midwest Equity Sdn. Bhd.	Property investment	100	100
Tanaim Sdn. Bhd.[(b)]	Dormant	100	100
Ngee Heng Square Sdn. Bhd. (formerly known as Golden Majestic Sdn. Bhd.)	Foods & Beverages	100	100
Ngee Heng Street Sdn. Bhd. (formerly known as Han Yin Development Sdn. Bhd.)	Dormant	100	100
Harn Len (Balai Ringin) Sdn. Bhd.	Dormant	100	100
Harn Len Development (Jerok) Sdn. Bhd.	Dormant	100	100
Harn Len (Rompin) Sdn. Bhd. (formerly known as Sinar Majestic Sdn. Bhd)	Dormant	100	100
Uniglobal Sdn. Bhd.	Dormant	100	100
Subsidiary held by Masranti Plantation Sdn. Bhd.			
Masranti Sebangkoi Sdn. Bhd.[(a)]	Cultivation of oil palms	100	100
Masranti Agro Sdn. Bhd. [(a)]	Agriculture land and plantation development services	100	100
Subsidiary held by Premium Dragon Sdn. Bhd.			
Harn Len Pelita Bengunan Sdn. Bhd.[(a)]	Cultivation of oil palms	60	60

[(a)] The auditor's reports on the financial statements of these subsidiaries have indicate material uncertainty related to going concern.

[(b)] The auditor's reports on the financial statements of these subsidiaries have been prepared on a basis of other than going concern basis due to cessation of business operation during the year with no plan on resumption of business operation in future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

15. PREPAID LEASE PAYMENT

	Leasehold Land RM
The Group and the Company	
Cost	
Balance at January 1, 2018	-
Additions	14,687,295
Balance at December 31, 2018	14,687,295
Effect of initial application of MFRS 16 (Note 20)	(14,687,295)
Balance at January 1, 2019/December 31, 2019	-

Prepaid lease payment relates to the lease of 5 pieces of land located at Sarawak. The lease will expire in year 2054, the Group and the Company are given the first right of refusal to acquire the land in the event that the land is made available for sale during the lease period.

Upon initial application of MFRS 16, the prepaid lease payments which consist of variable lease payment based on the performance of the operations of the Group and of the Company have been reclassified to prepayments as disclosed in Note 20.

16. GOODWILL ON CONSOLIDATION

	The Group	
	2019 RM	2018 RM
Cost		
At beginning and end of year	6,490,491	6,490,491
Accumulated Impairment Losses		
At beginning and end of year	695,692	695,692
Carrying Amount		
Balance at December 31, 2018	5,794,799	5,794,799
Balance at December 31, 2019	5,794,799	5,794,799

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Impairment testing for cash-generating units containing goodwill

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

The carrying amount of goodwill is allocated as follows:

	2019 RM	2018 RM
Masranti Plantation Sdn. Bhd. ("Masranti")	5,794,799	5,794,799

The recoverable amount for the above is based on its VIU and is determined by discounting the future cash flows generated by Masranti and is based on the following key assumptions:

	2019	2018
Duration of cash flow projection	20 years	20 years
Commodity price/Metric tonnes ("MT")	RM2,400	RM2,200
Pre-tax discount rate	18.76%	17.96%
Palm Yield rate MT/Hectare ("HA")	5 - 21	11 - 22
Plantation expenditure projection	Historical trend	Historical trend
Hectarage	5,020	5,020

The values assigned to the key assumptions represent management's assessment of current trends in the oil palm plantation in Sarawak and are based on both external and internal sources (historical data). Any subsequent changes in the market conditions or to decisions on the harvesting levels may have a material impact on the assets' values as the future cash flows may differ from these estimates.

The impairment assessment of goodwill of the Group as outlined above included a sensitivity analysis on the key assumptions used. Based on the results of the sensitivity analysis, no reasonable change in the key assumptions used would result in an impairment charge for current financial year.

17. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At beginning of year	20,981,446	20,005,959	-	883,000
Recognised in profit or loss (Note 9)	(1,024,000)	975,487	-	(883,000)
At end of year	19,957,446	20,981,446	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The net deferred tax liabilities are in respect of the tax effects of the following:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Deferred tax assets (before offsetting)				
Temporary difference arising from provision	85,000	323,000	-	248,000
Unabsorbed capital allowances	8,824,000	9,205,000	-	-
Unutilised tax losses	10,243,000	18,439,000	-	8,092,000
	19,152,000	27,967,000	-	8,340,000
Offsetting	(19,152,000)	(27,967,000)	-	(8,340,000)
Deferred tax assets (after offsetting)	-	-	-	-
Deferred tax liabilities (before offsetting)				
Temporary differences arising from:				
Property, plant and equipment:				
- Capital allowances	23,133,446	28,306,446	-	-
- Revaluation	12,210,000	20,642,000	-	8,340,000
Biological assets	3,766,000	-	-	-
	39,109,446	48,948,446	-	8,340,000
Offsetting	(19,152,000)	(27,967,000)	-	(8,340,000)
Deferred tax liabilities (after offsetting)	19,957,446	20,981,446	-	-

18. BIOLOGICAL ASSETS

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
As fair value:				
Fresh Fruit Bunches				
At beginning of year	1,373,627	1,440,393	366,779	678,799
Changes in fair value (Note 8)	790,275	(66,766)	338,703	(312,020)
At end of year	2,163,902	1,373,627	705,482	366,779

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The biological assets of the Group and of the Company consist of fresh fruit bunches ("FFB") prior to harvest. Each FFB takes approximately 6 months from pollination to reach maximum oil content to be ready for harvesting. During the year ended December 31, 2019, the Group and the Company harvested approximately 159,812 and 49,126 tonnes of FFB respectively (2018: 176,819 and 43,747 tonnes). The quantity of unharvested FFB of the Group and the Company as at December 31, 2019 included in the fair valuation of FFB was 5,840 and 1,699 tonnes respectively (2018: 7,681 and 2,006 tonnes).

In determining the fair values of unharvested FFB, the management has considered the oil content of the unripe FFB from the week after pollination to the week prior to harvest and derived the assumption that the net cash flows to be generated from FFB prior to more than 15 days to harvest is negligible. Therefore, quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 90% (2018: 87%) of the ripe FFB, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Costs to sell include harvesting cost and transport.

FFB valuation have been classified as Level 3 (2018: Level 3) in the fair value hierarchy. There were no transfer between different levels during the year.

19. INVENTORIES

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Agricultural produce	1,087,938	575,628	-	270,188
Consumables and spares	1,928,196	2,272,537	29,407	370,751
Nursery	2,171,895	2,037,123	-	35,298
Food and beverage	7,257	-	-	-
	5,195,286	4,885,288	29,407	676,237

Included in cost of sales of the Group and of the Company are inventories written-off amounting to RM309,865 and RM309,865 (2018: RM921,612 and RM5,594) respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

20. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group and of the Company are as follows:

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Trade receivables	4,901,967	1,219,021	1,415,431	1,001,377
Less: Allowance for doubtful debts	(22,681)	(26,175)	(22,681)	(26,175)
	4,879,286	1,192,846	1,392,750	975,202

The normal trade credit term granted to customers of the Group and of the Company is 7 days (2018: 7 days). Other credit terms are assessed and approved on a case by case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The table below is an analysis of trade receivables at the end of the reporting period:

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Neither past due nor impaired	4,731,744	1,074,239	1,364,151	856,791
1 to 30 days past due but not impaired	11,955	38,212	11,955	38,212
31 to 60 days past due but not impaired	25,141	43,667	1,014	43,667
Past due more than 60 days but not impaired	110,446	36,728	15,630	36,532
	4,879,286	1,192,846	1,392,750	975,202
Impaired	22,681	26,175	22,681	26,175
	4,901,967	1,219,021	1,415,431	1,001,377

<u>Trade receivables that are neither past due nor impaired</u>

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties or 365 days old and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group and the Company always measure the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. However, the Group and the Company did not disclose provision matrix as the impact of ECL is negligible.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Trade receivables disclosed above, which that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. Based on past experience and no adverse information to date, the directors are of the opinion that no impairment is necessary in respect of these balances as there have not been any significant changes in the credit quality and the balances are still fully recoverable.

None of the trade receivables of the Group and of the Company that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM147,542 and RM28,599 (2018: RM118,607 and RM118,411) respectively that are past due at the end of the reporting period but not impaired.

The trade receivables that are past due but not impaired are unsecured in nature. No impairment losses has been recognised as the amounts are recoverable.

Receivables that are impaired

The trade receivables of the Group and of the Company that are impaired at the end of the reporting period and the movement of the allowance for doubtful debts are as follows:

	The Group and the Company	
	2019	**2018**
	RM	**RM**
At beginning of the year	26,175	26,175
Allowance for doubtful debts no longer required	(3,494)	-
At end of the year	22,681	26,175

Other receivables, deposits and prepaid expenses consist of the following:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Other receivables	5,095,878	789,102	4,437,452	301,232
Goods and Services Tax receivables	224,994	261,894	224,994	235,617
Sales proceeds receivable from the disposal of investment in a subsidiary	13,600,000	13,600,000	13,600,000	13,600,000
Deposits	408,741	306,305	243,670	246,592
Prepayment of lease expenses (Note 15)	14,169,769	-	14,169,769	-
Prepaid expenses	2,318,122	3,492,283	94,861	107,437
	35,817,504	18,449,584	32,770,746	14,490,878

For the purpose of impairment assessment, other receivables are considered to have low risk as they are not due for payment at the end of the reporting period and there have been no significant increase in the risks of default on other receivables since initial recognition. Accordingly, the loss allowance is measured at an amount equals to 12 month ECL. In determining the ECL, management has taken into account the historical default experience and financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate.

In 2017, the Company disposed of its 100% interest in a subsidiary, Gemilang Bumimas Sdn. Bhd., for a cash consideration of RM13,600,000 to an external party which also a supplier to the Company. The sale proceed is to be offset with amount payable to the supplier upon agreed by both parties.

Based on the above factors, there were no changes to the estimation technique or significant assumptions made during for the current year ended in assessing the loss allowance for other receivables and sales proceeds receivable from the disposal of investment in a subsidiary.

Upon initial application of MFRS 16, an amount of RM14,169,769 which consist of variable lease payments based on the performance of the operation of the Group and of the Company have been reclassed from prepaid lease payment to prepayment as disclosed in Note 15.

Included in prepaid expenses of the Group and of the Company are as follows:

	The Group		**The Company**	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Prepayment for the acquisition of Sarawak land from natives	1,925,175	1,925,175	-	-

The prepayment for the acquisition of Sarawak land from natives is made by a subsidiary, Harn Len Development (Jerok) Sdn Bhd. At the end of the financial period, the land title is still pending to be transferred to the subsidiary.

21. **RELATED PARTY TRANSACTIONS**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The amount owing from (to) subsidiaries and amount owing to a director arose mainly from advances or payment on behalf, which are unsecured, interest-free except for advances to subsidiaries with an amount of RM30,811,159 (2018: RM58,275,537) which bear interest at 3.50% (2018: 3.50%) per annum and are repayable on demand.

The amounts owing from (to) affiliated companies are in respect of share of losses arising from estate and plantation management by the Group and the Company, advances or payment on behalf which are unsecured and repayable on demand.

The Company does not expect the amount owing from subsidiaries, amounting to RM8,701,100 (2018: RM8,150,184) to be realised within the next twelve months after the end of the reporting period. However, no provision for impairment has been made for amount owing by subsidiaries as there were no significant changes in credit quality of those companies and the Company believe that the amount is still considered fully recoverable.

The amount owing from subsidiaries and affiliated companies are as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Amount owing from subsidiaries	-	-	8,225,315	8,150,184
Less: Allowance for doubtful debts	-	-	(3,093,419)	(790,000)
	-	-	5,131,896	7,360,184
Amount owing from affiliated companies	4,459,898	2,481,932	1,561,158	297,190
Less: Allowance for doubtful debts	(889,654)	(757,890)	-	-
	3,570,244	1,724,042	1,561,158	297,190

Movement in the allowance for doubtful debts are as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Amount owing from subsidiaries				
At beginning of year	-	-	790,000	790,000
Recognised during the year	-	-	2,303,419	-
At end of year	-	-	3,093,419	790,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Amount owing from affiliated companies				
At beginning of year	757,890	522,882	-	-
Recognised during the year	131,764	235,008	-	-
At end of year	889,654	757,890	-	-

During the financial year, significant related party transactions are as follows:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Subsidiaries				
Sale of FFB	-	-	3,964,591	-
Interest income (Note 7)	-	-	2,409,896	2,216,106
Interest expense (Note 7)	-	-	2,211,210	1,640,494
Transportation charge	-	-	543,123	1,047,309
Rental income	-	-	30,000	-
Acquisition of property, plant and equipment	-	-	-	3,440,158
Affiliated companies				
Management fee income	60,000	60,000	60,000	60,000
Rental income	26,174	39,260	26,174	39,260
Sale of seedlings	21,420	99,400	-	-
Purchase of air tickets	30,588	120,411	6,416	18,456
Purchase of FFB	-	2,684,216	-	-
Insurance expense	32,652	389,450	27,246	118,689
Hiring of machineries charge	-	37,314	-	37,314
Share of loss arising from estates and plantation management (Note 8)	714,678	235,008	714,678	-
A director				
Advances received	450,000	510,288	450,000	510,288
Remuneration paid to staff who are close family member of certain Directors, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kueck Shin, Low Kwek Lee, Low Kuek Kong, Low Kok Yong and Low Kok Yaow	1,414,908	1,661,062	1,300,064	1,546,262

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Estates and Plantation Management

On March 27, 2018, the Company entered into Management Agreements with five plantation companies to develop and manage their biological assets. The Management Arrangement involves the appointment of the Company as the exclusive contractor to develop and manage the biological assets ("Exclusive Appointment"). In consideration of the Exclusive Appointment, the Company assumed a total estimated cost of approximately RM46,000,000 in return for a share of the FFB production for a period of 25 years. Upon expiry of the Initial Term, the Management Agreements shall automatically continue for a further period of 25 years, subject to such revised terms and conditions as may be necessary for the continuance of the Management Agreements.

As consideration for the Exclusive Appointment, the Company agreed to bear 42% of the total cost incurred equivalent to RM19,000,000 of which RM3,000,000 and RM11,000,000 shall be paid upon execution of Management Agreements and the effective date to begin development and management of the biological assets respectively. The remaining RM5,000,000 shall be paid upon first anniversary of the effective date. The Company shall be entitled to 42% of the net plantation profit until the estimated cost of RM46,000,000 is covered. Thereafter, the Company shall be entitled to 90% of the sales proceeds from the sale of FFB until the expiry of the Management Agreements.

The Management Agreements were approved in the Extraodinary General Meeting held on June 27, 2018 and effective on December 31, 2018. On December 31, 2018, both parties entered a Supplementary Agreement to reduce the upfront payment from RM19,000,000 to RM14,687,295.

Upon the execution of the Management Agreements by the Company, the earlier Management Agreements between a subsidiary of the Company, Harn Len Management Sdn. Bhd. with one of the five plantation companies as mentioned above, had been terminated.

Compensation of Key Management

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group whether directly or indirectly. The key management personnel of the Group and of the Company comprise certain members of senior management other than the directors of the Group and of the Company. Details on the compensation of key management personnel (excluding directors of the Group and of the Company) are disclosed as follows:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Short-term employee benefits				
Salaries	2,385,500	3,333,648	1,045,500	1,897,648
EPF Contribution	221,140	387,189	125,460	214,869
	2,606,640	3,720,837	1,170,960	2,112,517

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

22. CASH AND BANK BALANCES

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash and bank balances	1,232,472	1,057,446	791,008	527,647
Deposits with licensed banks	389,017	378,535	389,017	378,535
	1,621,489	1,435,981	1,180,025	906,182

All the deposits of the Group and of the Company are pledged to licensed banks as security for bank guarantee facilities granted to the Group and the Company. The interest rate for the fixed deposits with licensed banks of the Group and of the Company is ranging from 2.95% - 3.20% (2018: 2.95% - 3.20%).

Deposits of the Group and the Company have a maturity of 30 days (2018: 30 days).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

23. ASSETS CLASSIFIED AS HELD FOR SALE

	Land and Buildings RM	Bearer Plants RM	Plant and Machineries RM	Motor Vehicles, Furniture, Fittings and Equipment RM	Construction-in-progress RM	Total RM
The Group						
Balance at January 1, 2018	-	-	-	-	-	-
Transfer from investment property (Note 13)	18,430,400	-	-	-	-	18,430,400
Balance at December 31, 2018/ January 1, 2019	18,430,400	-	-	-	-	18,430,400
Disposal	(18,430,400)	-	-	-	-	(18,430,400)
Transfer from property, plant and equipment (Note 11)	35,084,902	12,372,370	1,860,227	396,359	1,268,530	50,982,388
Balance at December 31, 2019	35,084,902	12,372,370	1,860,227	396,359	1,268,530	50,982,388

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Land and Buildings RM	Bearer Plants RM	Plant and Machineries RM	Motor Vehicles, Furniture, Fittings and Equipment RM	Construction-in-progress RM	Total RM
The Company						
Balance at January 1, 2018	-	-	-	-	-	-
Transfer from investment property (Note 13)	18,430,400	-	-	-	-	18,430,400
Balance at December 31, 2018/ January 1, 2019	18,430,400	-	-	-	-	18,430,400
Disposal	(18,430,400)	-	-	-	-	(18,430,400)
Transfer from property, plant and equipment (Note 11)	35,084,902	12,372,370	1,860,227	34,585	1,268,530	50,620,614
Balance at December 31, 2019	35,084,902	12,372,370	1,860,227	34,585	1,268,530	50,620,614

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

On August 8, 2018, the Company entered into a Sale and Purchase Agreement for the disposal of 3 pieces of land together with factory buildings for a total sale consideration of RM19,000,000. The disposal was completed on January 31, 2019.

On April 29, 2019, the Company entered into a Sale and Purchase Agreement ("SPA") with Far East Holdings Berhad ("Far East"), a third-party, to dispose a part of the estate located in the State of Pahang together with an oil mill ("Lian Hup Oil Palm Estate") for a total consideration of approximately RM183,000,000 ("Proposed Disposal"). The Proposed Disposal has been approved by the shareholders on August 13, 2019. The sale and purchase of the property is subject to several conditions precedent being fulfilled ("Conditions Precedent").

On July 25, 2019, the Company entered into a 2nd Supplementary Agreement with Far East, whereby Far East agreed to release an additional part of total consideration of approximately RM10,000,000 to the Company, prior to the completion of the Conditions Precedent in the SPA.

On July 25, 2019, the Company entered into a Management Agreement with Far East of which, Far East is appointed as the management company of the estate and mill, based on certain terms and conditions agreed by both parties. As the management company, Far East will bear all operational costs and expenses of the operations and management of the estate and mill, and are entitled to all revenue derived from the estate and mill. The risk and handing over of the possession of the estate and mill will be upon the completion of all Conditions Precedent and full payment of total consideration.

On January 29, 2020, the Company and Far East agreed to extend the Conditional Period stipulated in the SPA from January 29, 2020 to April 29, 2020. On May 27, 2020, the Company announced on Bursa Malaysia that the Conditions Precedent pursuant to the SPA has been fulfilled and the Unconditional Date has been set at May 22, 2020. Completion date of the SPA will be within 3 months from the Unconditional Date. Further 2 months extention of Completion Date to Extended Completion Date is also available under the SPA. As at the date of the report, the balance of the purchase consideration is yet to be fully paid by Far East to the Company.

As disclosed in Note 35(iii), on January 13, 2020, a subsidiary of the Company, Tanaim Sdn. Bhd., has authorised the disposal of its trailers to a third party, for a total consideration of RM850,000. The disposal was subsequently completed on March 12, 2020.

24. CAPITAL AND RESERVES

Share capital

	The Group and the Company			
	2019		2018	
	No. of Shares	RM	No. of Shares	RM
Issued and fully paid:				
Ordinary shares				
At beginning and end of year	185,477,159	198,380,013	185,477,159	198,380,013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Reserves

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Distributable				
Retained earnings	48,697,795	106,988,753	8,686,441	38,398,967
Non-distributable				
Treasury shares	(9,871,127)	(9,871,127)	(9,871,127)	(9,871,127)
	38,826,668	97,117,626	(1,184,686)	28,527,840

Treasury shares

Treasury shares relates to the ordinary shares of the Company that is held by the Company. At the Annual General Meeting held on July 12, 2019, the shareholders of the Company approved the Company's plan to repurchase its own shares.

During the financial year, the Company did not repurchase its own share from the open market.

In prior financial year, the Company repurchased from the open market a total of 3,100 units of its issued ordinary shares. The total amount paid for the acquisition of the shares was RM2,052 and has been deducted from the equity. The repurchase transactions were financed by internally generated funds and the average repurchase price was RM0.66 per ordinary share including transaction costs. The repurchased shares are being held as treasury shares.

As at December 31, 2019, a total of 12,257,300 repurchased shares are being held as treasury shares.

Warrants

On September 25, 2019, the Company issued a total of 51,965,924 free Warrants to the shareholders pursuant to Bonus Issue on the basis of three (3) free Warrants for every ten (10) existing ordinary shares in the Company. The Warrants were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on September 25, 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The salient features of the Warrants are as follows:

	Tenure (Years)	Exercise Period Issue date	Expiry date	Exercise price (RM)
Warrants	7	25.9.2019	24.9.2026	0.60

(a) The Warrants may be exercised at any time during the tenure of the Warrants of seven (7) years commencing from the issue date of the Warrants and ending on the expiry date. Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid;

(b) Each Warrant carries the entitlement to subscribe for one (1) new ordinary share at the Warrant Exercise Price at any time during the Exercise Period and subject to the adjustments in accordance with the Deed Poll constituting the Warrants;

(c) The Warrant Exercise Price and/or the number of Warrants in issue shall from time to time be adjusted subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll; and

(d) The Warrant Holders will not be entitled to any voting rights or right to participate in any form of distribution and/or offer of further securities in the Company until and unless such Warrant Holders exercise their Warrants into new shares.

There was no exercise of Warrants during the financial year.

Retained earnings

The entire retained earnings of the Company is available for distribution as single-tier dividends to the shareholders of the Company.

25. NON-CONTROLLING INTERESTS

The Group

The non-controlling interest relates to a subsidiary, Harn Len Pelita Bengunan Sdn. Bhd., as disclosed in Note 14. It is the intention of the said subsidiary to progressively increase its paid-up share capital to RM24,000,000 and the non-controlling shareholder of the said subsidiary, being the joint venture partner of the development, has undertaken to subscribe for 40% of the increased paid-up share capital i.e. RM9,600,000 in accordance with the Joint Venture Agreement dated September 3, 2004 (Note 11).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The subsidiary of the Group that has a material non-controlling interest ("NCI") is as follows:

	2019	2018
Harn Len Pelita Bengunan Sdn. Bhd.		
NCI percentage of ownership interest and voting interest	40%	40%

	2019 RM	2018 RM
Carrying amount of NCI	(12,663,263)	(10,919,248)
Loss attributable to NCI	(1,744,015)	(1,314,545)
Summarised financial information before intra-group elimination		
As at December 31		
Non-current assets	89,900,268	92,900,730
Current assets	1,859,248	1,509,993
Non-current liabilities	(46,954)	(91,216)
Current liabilities	(123,588,718)	(121,835,627)
Net liabilities	(31,876,156)	(27,516,120)
For the year ended December 31		
Revenue	15,014,038	23,945,650
Loss for the year	(4,360,036)	(3,286,364)
Cash flows from operating activities	1,449,691	14,454,732
Cash flows used in investing activities	(1,403,051)	(14,698,377)
Cash flows used in financing activities	(43,001)	(74,815)
Net increase (decrease) in cash and cash equivalents	3,639	(318,460)

26. RETIREMENT BENEFITS

	The Group and the Company	
	2019 RM	2018 RM
Balance at beginning of the year	-	897,000
Charge for the year (Note 8)	-	63,720
Reversal (Note 8)	-	(960,720)
Balance at end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

27. LOANS AND BORROWINGS

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Secured:				
Term loans	53,181,125	65,792,488	31,817,307	40,066,934
Bank overdrafts	23,823,779	25,034,503	-	-
Hire-purchase payables/Finance lease payables	1,291,617	78,373,016	3,352	179,805
	78,296,521	169,200,007	31,820,659	40,246,739
Unsecured:				
Term loans	2,198,072	3,823,320	-	-
Bank overdrafts	16,719,348	20,651,360	11,729,227	13,661,287
	18,917,420	24,474,680	11,729,227	13,661,287
	97,213,941	193,674,687	43,549,886	53,908,026
Less: Interest-in-suspense finance lease payables/ hire-purchase payables	(67,214)	(54,261,333)	(19)	(3,695)
Principal outstanding	97,146,727	139,413,354	43,549,867	53,904,331
Less: Amount due within 12 months (shown under current liabilities):				
Term loans	(47,046,452)	(9,501,952)	(23,484,563)	(3,363,668)
Bank overdrafts	(40,543,127)	(45,685,863)	(11,729,227)	(13,661,287)
Hire-purchase payables	(762,144)	(1,431,535)	(3,333)	(172,790)
	(88,351,723)	(56,619,350)	(35,217,123)	(17,197,745)
Non-current portion	8,795,004	82,794,004	8,332,744	36,706,586

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The non-current portion of loans and borrowings are repayable as follows:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Term loans				
Later than one year but not later than two years	816,274	9,044,846	816,274	2,850,042
Later than two years but not later than five years	2,839,192	26,258,717	2,839,192	9,042,931
More than five years	4,677,278	24,810,293	4,677,278	24,810,293
	8,332,744	60,113,856	8,332,744	36,703,266
Hire-purchase payables/Finance lease payables				
Later than one year but not later than two years	399,175	816,420	-	3,320
Later than two years but not later than five years	63,085	404,302	-	-
More than five years	-	21,459,426	-	-
	462,260	22,680,148	-	3,320
	8,795,004	82,794,004	8,332,744	36,706,586

Certain term loans and bank overdrafts of the Group and the Company are secured by way of legal charges over certain property, plant and equipment, right-of-use assets and investment properties of the Company as disclosed in Notes 11, 12 and 13. The term loans of the Group and of the Company are repayable over a period ranging from 1 to 20 years commencing 1 month after the date of initial disbursement of the facility.

The interest rates for term loans of the Group and of the Company range from 4.77% to 8.75% (2018: 4.65% to 8.75%) and 4.77% to 8.75% (2018: 4.65% to 8.75%) per annum, respectively.

The interest charged on the utilisation of bank overdrafts facilities by the Group and by the Company is based on the respective interest rates for bank overdrafts ranging from 6.87% to 9.87% (2018: 6.25% to 8.34%) and 8.6% (2018: 7.1%) per annum, respectively.

The hire-purchase arrangements of both the Group and the Company ranged from 3 to 5 years. For the financial year ended December 31, 2019, the interest rates of the Group and of the Company ranged from 2.43% to 4.50% and at 2.66% (2018: 2.29% to 2.68% and 2.29% to 3.95%) per annum, respectively. Interest rates are fixed at the inception of the hire-purchase arrangements.

The term for finance lease payables for the Group and of the Company for the financial year ended December 31, 2018 is 60 years and bears interest at 6.00%. Upon initial application of MFRS 16, "Finance Lease Payables" is now presented in the line "Lease Liabilities". There has been no change in the liability recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The hire-purchase payables, bank overdraft and term loan of the Group and of the Company are secured by corporate guarantee of the Company.

The Group and the Company have classified bank overdrafts of RM40,543,127 and RM11,729,227 (2018: RM45,685,863 and RM13,661,287) respectively as financing activities as the said facilities do not form an integral part of cash management and are not mainly used in the main revenue producing activities of the Group and of the Company.

During the year, the Company received three (3) Letter of Demands ("LOD") dated May 24, 2019, July 11, 2019 and July 22, 2019 on its default in payment of overdraft facilities with a licensed bank. On November 7, 2019, the Company entered into a Settlement Agreement with the said licensed bank. Subsequently, on November 11, 2019, the licensed bank issued a letter to recall the LOD dated July 22, 2019. The amount outstanding as at December 31, 2019 to this licensed bank is RM11,729,227. Subsequent to the end of the financial year, on January 13, 2020, the Company has fully paid the whole amount outstanding.

A subsidiary of the Company has defaulted in payment of its overdraft facilities with a licensed bank, of which the Company acts as a corporate guarantor. Accordingly, the Company and its subsidiary received LOD dated December 12, 2019 and December 20, 2019, respectively. The total amount outstanding under the overdraft facility with this licensed bank as at December 31, 2019 is RM4,990,121. The licensed bank has a right to terminate and/or recall the banking facilities granted in the event of default in payment.

On February 5, 2020, the Company provided a Letter of Undertaking to the licensed bank that it will make full settlement of debts for the said subsidiary if the subsidiary fails to pay, and to fully repay or settle the debts with the licensed bank within 14 days from the date the Company received the balance of Disposal Consideration of RM135,138,540 (net of Real Property Gain Tax) on the proposed disposal of oil palm estate and oil mill ("Proposed Disposal") as disclosed in Note 23.

As at December 31, 2019, amounts outstanding to other licensed banks and a licensed financial institution of the Group and of the Company totalling to RM67,900,106 and RM22,712,510 respectively, are subject to cross default clause. This includes an amount of RM39,450,530 of which a subsidiary of the Company had also breached certain loan and borrowing covenants during and as at the end of the financial year as follows:

(a) to maintain a minimum debt service cover ratio ("DSCR") of 1.25x at all times; and
(b) to channel no less then 30% total revenue into current account maintain with certain bank.

Due to the cross default clause, a breach of any term with any of these licensed banks and a licensed financial institution represents an "Event of Default", where the licensed banks and a licensed financial institution have right to take action, including amongst others, to review the Event of Default, terminate and/or recall the facilities. At the date of this report, the Group and the Company have not received a confirmation letter from the affected licensed banks and a licensed financial institution on whether the said facilities will continue to be made available or be recalled.

Accordingly, the outstanding balances with affected licensed banks and a licensed financial institution as mentioned above are presented as current liabilities in the statements of financial position of the Group and of the Company as at December 31, 2019.

28. **LEASE LIABILITIES**

Lease liabilities are payable as follows:

The Group

	2019			2018		
	Future minimum lease payments RM	**Unearned Interest RM**	**Present value of minimum lease payment RM**	**Future minimum lease payments RM**	**Unearned Interest RM**	**Present value of minimum lease payment RM**
Year 1	1,215,750	1,215,750	-	-	-	-
Year 2	1,350,700	1,350,700	-	-	-	-
Year 3	1,350,700	1,350,700	-	-	-	-
Year 4	1,350,700	1,350,700	-	-	-	-
Year 5	1,350,700	1,350,700	-	-	-	-
More than five years	67,832,426	45,972,502	21,859,924	-	-	-
	74,450,976	52,591,052	21,859,924	-	-	-

The term for finance lease liabilities is 60 years (2018: 60 years) and bears interest at 6% to 6.5% (2018: 6% to 6.5%) per annum.

The lease liabilities on leases previously classified as finance leases under MFRS 117 and previously presented within "Finance lease payable" is now presented in the line "Lease liabilities". There has been no change in the liability recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

The payables of the Group and of the Company comprise amounts outstanding for trade purchases. As at December 31, 2019, the amounts outstanding to trade creditors of the Group and of the Company that exceeded credit terms is RM97,724,648 and RM37,711,486 (2018: RM57,457,992 and RM14,452,123) respectively. The Group and the Company have entered into settlement arrangements with trade creditors. Under these arrangements, late payment interest up to 24% (2018: Up to 24%) per annum can be charged and is subject to negotiation. The normal trade credit term granted to the Group and the Company ranges from 30 to 90 days (2018: 60 to 90 days). Certain other payables of the Group and of the Company also bear late payment interest of up to 2% (2018: 0%) per annum.

Other payables and accrued expenses consist of the following:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Other payables	33,803,586	18,560,713	16,931,283	3,139,386
Accrued expenses	21,558,074	17,944,080	6,713,188	8,638,015
	55,361,660	36,504,793	23,644,471	11,777,401

30. COMMITMENTS

(a) *Capital Commitments*

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Contracted but not provided for	252,000	7,706,000	80,000	7,544,000
Authorised but not contracted for	10,213,650	19,822,000	959,600	3,395,000
	10,465,650	27,528,000	1,039,600	10,939,000

(b) *Corporate Guarantee*

The Company has provided corporate guarantee of RM79,239,429 (2018: RM85,000,000) for banking facilities granted by licensed banks and a licensed financial institution to the subsidiaries. As at December 31, 2019, the utilisation of the banking facilities by the subsidiaries are RM52,375,790 (2018: RM61,573,450).

As disclosed in Note 27, the maximum exposure to credit risk amounts to RM52,375,790 (2018: RM61,753,450) representing the outstanding banking facilities of the subsidiaries which are secured by corporate guarantee from the Company as at the end of the reporting period. During the year, certain subsidiaries of the Company has defaulted in payment or breached certain financial covenants. Consequently, the Company has to recognise an estimated liabilities representing the expected cash flows require to settle the defaulted loan and borrowings and interest payable of the subsidiaries, including the value of assets pledged for borrowings. However, there were no liabilities recognised upon certain subsidiaries defaulted in payment or breached certain financial covenants, as there are amount owing by subsidiaries to the Company which is more than the expected cash flows required to settle the defaulted loan and borrowings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

31. FINANCIAL INSTRUMENTS

Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The strategy of the Group and of the Company remain unchanged from 2018.

The capital structure of the Group consists of net assets and equity of the Group, comprising issued capital and retained earnings as presented in the statement of changes in equity.

The management of the Group reviews the capital structure regularly to achieve an appropriate capital structure. As part of this review, the management of the Group considers the cost of capital and the risk associated with each class of capital and make adjustments to the capital structure, where appropriate, in light of changes in economic conditions and the risk of characteristic of the underlying assets.

The Group monitors capital using debt-to-equity and gearing ratios. The debt-to-equity and gearing ratios at the end of the reporting period were as follows:

	The Group	
	2019	**2018**
	RM	**RM**
Total liabilities	289,762,086	282,842,010
Total equity	224,543,418	284,578,391
Debt-to-equity-ratios	1.29	1.00
Total loans and borrowings (Note 27)	97,146,727	139,413,354
Total equity	224,543,418	284,578,391
Gearing ratio	0.43	0.49

The Group is required to maintain debt-to-equity ratio not more than 2.00 and gearing ratio less than 1.00 to comply with the bank covenants of its bank borrowings, failing which, the bank may notify an event of default.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets at amortised cost				
Trade receivables	4,879,286	1,192,846	1,392,750	975,202
Other receivables and deposits	19,329,613	14,957,301	18,506,116	14,383,441
Amount owing from subsidiaries	-	-	5,131,896	7,360,184
Amount owing from affiliated companies	3,570,244	1,724,042	1,561,158	297,190
Cash and bank balances	1,621,489	1,435,981	1,180,025	906,182
Financial liabilities at amortised cost				
Trade payables	74,484,637	68,257,315	20,824,311	16,358,011
Other payables and accrued expenses	55,361,660	36,504,793	23,644,471	11,777,401
Amount owing to subsidiaries	-	-	63,148,932	66,943,174
Amount owing to affiliated companies	16,924,729	16,789,051	16,666,075	15,570,691
Amount owing to a director	960,288	510,288	960,288	510,288
Loans and borrowings	97,146,727	139,413,354	43,549,867	53,904,331
Lease liabilities	21,859,924	-	-	-

Financial Risk Management

The Group has exposure to liquidity risk, credit risk and interest rate risk from its use of financial instruments.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligation due to shortage of funds. To mitigate liquity risk, management measures and forecasts its cash commitments, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's and the Company's operations and investment activities. In additions, the Group and the Company strive to maintain available banking facilities at a reasonable level against its overall debt position.

As at December 31, 2019, current liabilities of the Group and the Company exceeded its current assets by RM134,918,556 and RM72,201,018 (2018: RM130,984,255 and RM92,214,442) respectively. The table below sets out details of additional undrawn banking facilities that the Group has at its disposal to further reduce its liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	The Group	
	2019	2018
	RM	RM
Unsecured bank overdraft facility reviewed annually and payable at call:		
Amount used	16,719,000	20,651,000
Amount unused	-	1,349,000
	16,719,000	22,000,000
Unsecured term loan facility reviewed annually and payable at call:		
Amount used	2,198,000	3,823,000
Amount unused	5,802,000	4,177,000
	8,000,000	8,000,000
Secured bank overdraft facility:		
Amount used	23,824,000	25,035,000
Amount unused	426,000	2,965,000
	24,250,000	28,000,000
Secured term loan facility:		
Amount used	53,181,000	65,792,000
Amount unused	26,484,000	20,538,000
	79,665,000	86,330,000

During the financial year, the Group have defaulted in payment, breached certain covenant clauses of Letter of Offers and have cross default of certain loan and borrowings with licensed banks and a licensed financial institution. Details are disclosed in Note 27.

The following table details the remaining contractual maturities for its non-derivative financial liabilities of the Group and of the Company with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows to the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group and the Company may be required to pay.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The table below summarises the undiscounted contractual cash outflows of the financial liabilities of the Group and of the Company as at the end of the reporting period:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
The Group							
2019							
Non-derivative financial liabilities							
Interest bearing							
Trade payables	74,484,637	Up to 24*	74,484,637	74,484,637	-	-	-
Other payables	33,803,586	Up to 2	33,803,586	33,803,586	-	-	-
Term loans	55,379,197	4.65 - 8.75	66,849,866	55,984,761	1,316,699	3,950,097	5,598,309
Hire-purchase payables	1,224,403	3.35 – 4.60	1,284,331	810,254	417,185	56,892	-
Bank overdrafts	40,543,127	6.87 - 9.87	43,761,553	43,761,553	-	-	-
Lease liabilities	21,859,924	6.00 – 6.50	74,450,976	1,215,750	1,350,700	4,052,100	67,832,426
Non-interest bearing							
Accrued expenses	21,558,074	-	21,558,074	21,558,074	-	-	-
Amount owing to affiliated companies	16,924,729	-	16,924,729	16,924,729	-	-	-
Amount owing to a director	960,288	-	960,288	960,288	-	-	-
	266,737,965		334,078,040	249,503,632	3,084,584	8,059,089	73,430,735

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Carrying amount RM	Contractual interest rate RM	Contractual cash flows RM	Within 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2018							
Non-derivative financial liabilities							
Interest bearing							
Trade payables	3,330,279	Up to 24*	3,846,472	3,846,472	-	-	-
Term loans	69,615,808	4.65 - 8.75	87,822,298	11,859,349	11,534,988	29,098,040	35,329,921
Hire-purchase payables	24,111,683	2.29 - 6.00	78,372,768	2,632,620	2,087,315	4,469,713	69,183,120
Bank overdrafts	45,685,863	6.25 - 8.34	49,018,647	49,018,647	-	-	-
Non-interest bearing							
Trade payables	64,927,036	-	64,927,036	64,927,036	-	-	-
Other payables and accrued expenses	36,504,793	-	36,504,793	36,504,793	-	-	-
Amount owing to affiliated companies	16,789,051	-	16,789,051	16,789,051	-	-	-
Amount owing to a director	510,288	-	510,288	510,288	-	-	-
	261,474,801		337,791,353	186,088,256	13,622,303	33,567,753	104,513,041

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

The Company 2019	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Non-derivative financial liabilities							
Interest bearing							
Trade payables	20,824,311	Up to 24*	20,824,311	20,824,311	-	-	-
Other payables	16,931,283	Up to 2*	16,931,283	16,931,283	-	-	-
Amount owing to subsidiaries	63,148,932	3.50	65,359,144	65,359,144	-	-	-
Term loans	31,817,307	4.30 – 8.75	40,595,651	29,730,546	1,316,699	3,950,097	5,598,309
Hire-purchase payables	3,333	2.35 – 2.68	3,352	3,352	-	-	-
Bank overdrafts	11,729,227	8.60	12,737,941	12,737,941	-	-	-
Non-interest bearing							
Accrued expenses	6,713,188	-	6,713,188	6,713,188	-	-	-
Amount owing to affiliated companies	16,666,075	-	16,666,075	16,666,075	-	-	-
Amount owing to a director	960,288	-	960,288	960,288	-	-	-
	168,793,944		180,791,233	169,926,128	1,316,699	3,950,097	5,598,309

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Carrying amount RM	Contractual interest rate RM	Contractual cash flows RM	Within 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2018							
Non-derivative financial liabilities							
Interest bearing							
Amount owing to subsidiaries	66,943,174	3.50	69,286,185	69,286,185	-	-	-
Term loans	40,066,934	4.65 - 8.75	52,124,697	4,192,323	4,192,323	12,576,969	31,163,082
Hire-purchase payables	176,110	2.35 - 2.68	179,805	176,466	3,339	-	-
Bank overdrafts	13,661,287	7.1	14,631,238	14,631,238	-	-	-
Non-interest bearing							
Trade payables	16,358,011	-	16,358,011	16,358,011	-	-	-
Other payables and accrued expenses	11,777,401	-	11,777,401	11,777,401	-	-	-
Amount owing to affiliated companies	15,570,691	-	15,570,691	15,570,691	-	-	-
Amount owing to a director	510,288		510,288	510,288	-	-	-
	165,063,896		180,438,316	132,502,603	4,195,662	12,576,969	31,163,082

* represent late payment interest charge, subject to negotiation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

In order to minimise credit risk, the Group and the Company develop and maintain their credit risk gradings to categorise exposures according to their degree of risk of default. The Group and the Company use publicly available financial information and own trading records to rate its major customers and other debtors. The credit rating information supplied by independent rating agencies is also used where available. The exposure to the Group and the Company and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The current credit risk grading framework of the Group and of the Company comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >360 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL–credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company have no realistic prospect of recovery.	Amount is written off

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

At the end of the reporting period, the Group and the Company have significant concentrations of credit risk arising from amounts owing from four customers (2018: three customers) and two customers (2018: two customers), which represent 65% (2018: 70%) and 45% (2018: 66%) of the total receivables of the Group and of the Company respectively. Trade receivables are monitored on an ongoing basis. The average credit term granted to customers of the Group and the Company are 7 days (2018: 7 days).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

As disclosed in Note 30(b) the maximum exposure to credit risk amounts to RM52,375,790 (2018: RM61,753,450) representing the outstanding banking facilities of the subsidiaries which are secured by corporate guarantee from the Company as at the end of the reporting period. During the year, certain subsidiaries of the Company has defaulted in payment or breached certain financial covenants. Consequently, the Company has to recognise an estimated liabilities representing the expected cash flows require to settle the defaulted loan and borrowings and interest payable of the subsidiaries, including the value of assets pledged for borrowings. However, there were no liabilities recognised upon certain subsidiaries defaulted in payment or breached certain financial covenants, as there are amount owing by subsidiaries to the Company which is more than the expected cash flows required to settle the defaulted loan and borrowings.

Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of the financial instruments of the Group and of the Company will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and variable interest rates. The variable rate borrowings of the Group is exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

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

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Floating rate instruments				
Bank overdrafts	40,543,127	45,685,863	11,729,227	13,661,287
Term loans	55,379,197	69,615,808	31,817,307	40,066,934
	95,922,324	115,301,671	43,546,534	53,728,221

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 100 basis point increase or decrease is used when reporting interest risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the loss after tax of the Group and of the Company for the year would decrease or increase as follows:

	Change in loss after tax			
	The Group		**The Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Floating rate instruments	1,119	1,061	566	452

Fair Values of Financial Instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values due to the short-term maturities of these instrument except for long-term loan and borrowings and lease liabilities as disclosed in Notes 27 and 28.

The fair values of the lease liabilities (non-current) is estimated by discounting expected future cash flows at the market incremental lending rate for similar types of lending or borrowing at the end of the reporting period. There is no material difference between the fair values and carrying amount of these liabilities at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

32. STATEMENTS OF CASH FLOWS

(i) Cash and cash equivalents consist of the following:

	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
Cash and bank balances	1,621,489	1,435,981	1,180,025	906,182
Less: Deposits with licensed banks	(389,017)	(378,535)	(389,017)	(378,535)
	1,232,472	1,057,446	791,008	527,647

(ii) During the financial year, property, plant and equipment of the Group and of the Company were acquired by the following means:

	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
Cash payments	5,702,219	31,524,409	2,416,709	6,429,623
Outstanding in finance lease payables	-	5,066,206	-	-
Non-cash item:				
Depreciation of property, plant and equipment	-	395,745	-	-
Depreciation of right-of-use assets	160,212	-	-	-
Finance costs	430,342	856,571	-	-
	6,292,773	37,842,931	2,416,709	6,429,623

Subsequent settlement of finance lease payables/lease liabilities are reflected in cash outflows from financing activities accordingly.

(iii) Depreciation of property, plant and equipment of the Group and of the Company are made up of the following:

	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
Depreciation of property, plant and equipment (Note 11)	18,989,450	22,372,923	3,827,675	5,178,216
Less: Depreciation capitalised in bearer plants	-	(395,745)	-	-
Depreciation recognised in profit or loss	18,989,450	21,977,178	3,827,675	5,178,216

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

(iv) Depreciation of right-of-use assets of the Group and of the Company are made up of the following:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Depreciation of right-of-use asset (Note 12)	1,671,876	-	619,728	-
Capitalised of depreciation of leasehold land (Note 11)	(160,212)	-	-	-
	1,511,664	-	619,728	-

(v) Reconciliation of liabilities arising from financing activities

The table below details a change in the liabilities of the Group and of the Company arising from financing activities including cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows of the Group and of the Company as cash flows from financing activities.

The Group

	Balance as of January 1, 2019 RM	Impact on initial application of MFRS 16 (Note 3) RM	Net cash flows from (used in) RM	Balance as of December 31, 2019 RM
Term loans	69,615,808	-	(14,236,611)	55,379,197
Bank overdrafts	45,685,863	-	(5,142,736)	40,543,127
Hire-purchase payables/Finance lease payables	24,111,683	(21,459,426)	(1,427,854)	1,224,403
Amount owing to a director	510,288	-	450,000	960,288
Lease liabilities	-	21,459,426	400,498	21,859,924
	139,923,642	-	(19,956,703)	119,966,939

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

	Balance as of January 1, 2018 RM	Net cash flows from (used in) RM	Balance as of December 31, 2018 RM
Term loans	56,407,507	13,208,301	69,615,808
Bank overdrafts	45,162,229	523,634	45,685,863
Hire-purchase payables/ Finance lease payables	22,079,620	2,032,063	24,111,683
Amount owing to a director	-	510,288	510,288
	123,649,356	16,274,286	139,923,642

The Company

	Balance as of January 1, 2019 RM	Impact on initial application of MFRS 16 (Note 3) RM	Net cash flows from (used in) RM	Balance as of December 31, 2019 RM
Term loans	40,066,934	-	(8,249,627)	31,817,307
Bank overdrafts	13,661,287	-	(1,932,060)	11,729,227
Hire-purchase payables/Finance lease payables	176,110	-	(172,777)	3,333
Amount owing to a director	510,288	-	450,000	960,288
	54,414,619	-	(9,904,464)	44,510,155

	Balance as of January 1, 2018 RM	Net cash flows from (used in) RM	Balance as of December 31, 2018 RM
Term loans	28,742,921	11,324,013	40,066,934
Bank overdrafts	14,214,906	(553,619)	13,661,287
Hire-purchase payables/ Finance lease payables	545,853	(369,743)	176,110
Amount owing to a director	-	510,288	510,288
	43,503,680	10,910,939	54,414,619

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

(vi) Cash outflows for leases

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Included in net cash from operating activities				
Payment relating to:				
Short-term leases:				
Machineries	129,298	-	129,298	-
Office equipment	21,237	-	21,237	-
Included in net cash flow financing activities				
Interest paid in relation to lease liabilities, shown as finance cost	1,453,712	-	-	-
Total cash outflows for leases	1,604,247	-	150,535	-

(vii) Non-cash transaction

(a) Included in amount owing by subsidiary of the Company is interest receivable amounting to RM2,409,896 (2018: RM2,216,106); and

(b) Included in amount owing to subsidiaries of the Company is interest payable amounting to RM2,211,210 (2018: RM1,640,494).

33. LEGAL CASES DURING THE YEAR

(i) A subsidiary of the Company, Nusantara Daya Sdn. Bhd. ("Nusantara Daya"), has a piece of land which was acquired by Pentadbir Tanah, Johor Bahru due to a compulsory acquisition. The land was privately valued at RM28,830,074 by property valuer, PA International Property Consultants Sdn Bhd. However, Pentadbir Tanah, Johor Bahru rejected the private valuation and awarded a compensation amount of only RM16,516,800. The matter was referred to the High Court on Nusantara Daya's application and the amount of compensation was increased by RM2,510,107. Nusantara Daya was dissatisfied with the decision of the High Court and appealed to the Court of Appeal. On August 7, 2019, the Court of Appeal unanimously allowed the appeal and increased the amount of compensation by RM11,262,850.

On August 27, 2019, Pentadbir Tanah, Johor Bahru lodged an appeal to the Federal Court against the decision of the Court of Appeal. If the appeal is allowed, the decision of the Court of Appeal could potentially be overturned in its entirety. As at the end of the reporting period, the decision of the Federal Court is still pending.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

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

In consideration of Pelita procuring the alienation of the lease as contribution for the 30% shareholding of the NCR Owners and capital contributions from the other shareholders, the subsidiary shall progressively increase its issued and paid-up share capital. In the year 2010, 1,982 hectares of the land at the agreed value of RM1,200 per hectare has been developed and surrendered by the NCR Owners and in accordance with the agreements entered into, an amount of RM1,427,040 (being 60% of the agreed value of land) was credited as fully paid-up shares of the subsidiary and these shares were issued to Pelita as trustees for the NCR Owners.

In year 2016, Harn Len Pelita, was served with a Writ and Statement of Claim by the High Court of Sabah and Sarawak, where 36 the NCR alleged that the Company has been trespassing on a land of which the NCR owners claimed to have native title and/or Native Customary Rights over the land, as stated in Note 11. The NCR owners claim was dismissed by the High Court and have appealed to the Court of Appeal on the grounds that the High Court had erred in dismissing the NCR owners' claim. On June 25, 2020, the Court had directed for the matter to be adjourned and be heard in open court instead of e-hearing ("virtual hearing"), as the Judges of the matter were of the view that this matter is better heard by way of physical sitting as it involves map, natives and voluminous documents. As of the end of this reporting period, the Court had fixed the matter for Case Management on August 8, 2020. The Registrar will fix another date for hearing the Case Management.

(iii) In year 2017, a subsidiary of the Company, Masranti Plantation Sdn. Bhd., was served with an Amended Writ with an Amended Statement of Claim by the High Court of Sabah and Sarawak, where five natives ("Plantiffs") alleged that the Company has been trespassing upon the Plaintiffs' NCR land. On January 12, 2018, the High Court had dismissed the Plaintiffs' claims against the Company in view of the Court's finding that the Plaintiffs have failed to prove by evidence their NCR claims and also in view that, the Company was deprived of the right to be heard due to the late joinder as the 4th Defendant. The Plaintiffs then lodged an appeal to the Court of Appeal against the decision of the High Court. Upon hearing submissions by counsels for respective parties on October 22, 2019, the Court of Appeal has unanimously dismissed the Plaintiffs' appeal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

34. **SIGNIFICANT EVENTS DURING THE YEAR**

(i) On February 28, 2019, the Company ceased its loss making hotel operations. On August 6, 2019, the Company entered into a lease agreement with a third party to lease the hotel floors, thus generating rental income.

(ii) On April 29, 2019, the Company entered into a Sale and Purchase Agreement ("SPA") with an external party, Far East Holdings Bhd. ("Far East"), to dispose part of the estate located in the state of Pahang, Malaysia, together with an oil mill for a total consideration of approximately RM183,000,000. The proposed disposal had been approved by shareholders on August 13, 2019. The sale and purchase of the property is subject to several conditions precedent being fulfilled ("Conditions Precedent").

On July 25, 2019, the Company entered into a 2nd Supplementary Agreement with Far East, whereby Far East agreed to release an additional part of total consideration of approximately RM10,000,000 to the Company, prior to the completion of the Conditions Precedent in the SPA.

On July 25, 2019, the Company entered into a Management Agreement with Far East of which, Far East is appointed as the management company of the estate and mill, based on certain terms and conditions agreed by both parties. As the management company, Far East will bear all operational costs and expenses of the operations and management of the estate and mill, and are entitled to all revenue derived from the estate and mill. The risk and handing over of the possession of the estate and mill will be upon the completion of all Conditions Precedent and full payment of total consideration.

On January 29, 2020, the Company and Far East agreed to extend the Conditional Period stipulated in the SPA from January 29, 2020 to April 29, 2020. On May 27, 2020, the Company announced on Bursa Malaysia that the Conditions Precedent pursuant to the SPA has been fulfilled and the Unconditional Date has been set at May 22, 2020. Completion date of the SPA will be within 3 months from the Unconditional Date. Further 2 months extention of Completion Date to Extended Completion Date is also available under the SPA. As at the date of the report, the balance of the purchase consideration is yet to be fully paid by Far East to the Company.

(iii) On September 25, 2019, the Company issued 51,965,955 free Warrants to the shareholders pursuant to the Bonus Issue of three (3) Warrants for every ten (10) existing ordinary shares of RM0.60 each in the Company. The shareholders of the Company granted their approval to the Bonus Issue of Warrants via an Extraordinary General Meeting.

(iv) During the financial year, the Group have defaulted in payments, breached certain covenant clauses of Letter of Offers and have cross default of certain loan and borrowings with licensed banks and a licensed financial institution. Details are disclosed in Note 27.

(v) The shareholders of the Company had granted their approval to the Employees' Share Scheme ("ESS") via its EGM held on August 13, 2019. The ESS will be awarded to eligible directors and employees of the Group for their contribution towards the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

35. **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

(i) On January 15, 2020, the Company announced that it has offered 4,943,000 options over new shares and 4,633,000 Share Grant to Employees and Directors of the Company and its subsidiaries under its ESS. The salient features of the ESS are as follows:

(a) the maximum number of Awards shall not exceed 15 % of the total number of issued shares of the Company at any point of time during the scheme period;

(b) the ESS shall be in force for a duration of five years expires on January 14, 2025;

(c) any employee of a corporation in the Group (excluding the subsidiaries which are dormant), and confirmed full-time employees of a corporation within the Group are eligible;

(d) any allocation of options under the ESS to any directors of the Company shall require prior approval from the shareholders of the Company at a general meeting;

(e) the aggregate maximum number of Awards that maybe granted to a Selected Person will be determined entirely at the discretion of the ESS Committee provided that:

i. The directors (including non-executive Directors) and eligible employees do not participate in the deliberation or discussion of their own allocation and the allocation to any other person connected with them;
ii. No allocation of more than 80% of the total Awards will be made in aggregate to the directors and/or Senior Management of the Group;
iii. No allocation of more than 10% of the Awards will be made to each of the director;
iv. No allocation of more than 10% of the Awards will be made either singly or collectively through persons connected with them, hold 20% or more of the total number of issued shares of the Company (excluding treasury shares).

(f) the share grant price and exercise price shall be based on a discount of not more than 10% from the weighted average market price of the Company transacted on the Bursa Securities immediately preceding the Offer Date; and

(g) the ESS Committee may at any time and from time to time before and after the ESS Options are granted, limit the exercise of the ESS Options to a maximum number of new shares of the Company and/or such percentage of the total shares of the Company comprised in the ESS Options during such period within the Option Period and impose any other terms and/or conditions as the ESS Committee may, in its sole discretion deem appropriate including amending or varying any terms and conditions imposed earlier other than pertaining to the imposition of performance targets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (Cont'd)

(ii) The Coronavirus Disease 2019 ("COVID-19") pandemic has impacted the global economy as well as the local market, where the Group and the Company operate. The travel and business restrictions in many countries have resulted in economy uncertainties and also disruption to the global supply chain. In Malaysia, government has imposed the Movement Control Order ("MCO") effective from March 18, 2020 to May 12, 2020, followed by the Conditional Movement Control Order ("CMCO") until June 9, 2020. The core businesses of the Group and of the Company continue to operate with limited operations during the MCO period and has resumed normal operations moving into the CMCO period. For the financial statements of the Group and of the Company for the financial year ended December 31, 2019, the COVID-19 pandemic and the related impacts are considered as non-adjusting events in accordance with MFRS 110 *Events after the Reporting Period*. Disruption of operations of the Group and of the Company during the MCO and CMCO period have impacted the level of revenue and profitability of the Company adversely, subsequent to the end of the reporting period.

Therefore, as at the date of the financial statements are authorised for issue, it is premature to carry out a full assessment or quantification of the possible impacts that COVID-19 will have on the Group and the Company for the financial year ending December 31, 2020, due to the uncertainty about its consequences, in the short, medium and long term. Accordingly, the financial position and results of operations as at and for the year ended December 31, 2019 have not adjusted to reflect their impact.

(iii) On January 13, 2020, a subsidiary of the Company, Tanaim Sdn. Bhd. ("Tanaim"), has been authorised to dispose its trailers to a third party, for a total consideration of RM850,000. Accordingly, the said trailers in Tanaim have been transferred as assets classified as held for sale, as disclosed in Note 23. The disposal was subsequently completed on March 12, 2020.

(iv) On June 5, 2020, the Company announced on the proposal to undertake a Private Placement ("Proposed Private Placement") of up to 7,000,000 shares representing approximately 4% of the total number of issued shares of the Company (excluding treasury shares) to fund its working capital requirement. The additional listing application in relation to a Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") for approval on June 11, 2020.

On June 19, 2020, Bursa Securities had vide its letter dated June 18, 2020, approved the listing of and quotation for up to 7,000,000 new shares of the Company to be issued pursuant to the Proposed Private Placement, subject to certain conditions outlined by Bursa Securities.

STATEMENT BY DIRECTORS

The directors of **HARN LEN CORPORATION BHD.** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

LOW QUEK KIONG

LOW KUECK SHIN

Johor Bahru
30 June 2020

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **LOW QUEK KIONG**, the director primarily responsible for the financial management of **HARN LEN CORPORATION BHD.,** do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOW QUEK KIONG

Subscribed and solemnly declared by the abovenamed **LOW QUEK KIONG** at **JOHOR BAHRU** in the State of **JOHOR** on 30 June 2020.

Before me,
VASANTHI A/P VADIVELOO
COMMISSIONER FOR OATHS
J258

LIST OF PROPERTIES OF THE GROUP

	Registered owner/ Location	Tenure – Year of Expiry (For leasehold)	Area	Description/ Existing Use	Net Book Value RM '000	Approximate Age of Building (years)	Date of Acquisition
1.	**Harn Len Corporation Bhd**						
i)	Lot 1782, Geran 27393 Township & District of Johor Bahru, Johor Darul Takzim	Freehold	40,293 sq. ft.	Office & hotel building	52,311	42	18.07.2003
ii)	Lian Hup Estate - Lot PT 166, 259 - Lot PT 313 - Lot PT 345 - Lot PT 510, 521, 522 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur	Leasehold 2070 2072 2074 2079	2,124.46 ("Ha")	Oil Palm Plantation & Palm oil mill	34,068	N/A	18.07.2003
	Estate Buildings Factory Workshop				705 312	4-52 3-43	
iii)	Senang Estate - Lot PT 163, 164, 165, 255 - Lot PT 314 - Lot PT 448, 449, 450, 451 - Lot PT 515 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur	Leasehold 2070 2072 2078 2079	2,116.31 Ha	Oil Palm Plantation	35,366	N/A	18.07.2003
	Estate Buildings				3,623	1-43	
iv)	Six (6) units Double-Storey Terrace Shophouses held under						
	- Lot 2046 Grn 2250 158 Jalan Ngee Heng	Freehold	1,707 sq. ft.	Rented Out/ Staff Quarters		84	
	- Lot 2048 Grn 99923 160 Jalan Ngee Heng	Freehold	1,617 sq. ft.	Rented Out		84	
	- Lot 2049 Grn 99924 161 Jalan Ngee Heng	Freehold	1,613 sq. ft.	Rented Out		84	
	- Lot 2050 Grn 51476 162 Jalan Ngee Heng	Freehold	1,655 sq. ft.	Rented Out	3,579	84	15.10.2010
	- Lot 2051 Grn 99925 163 Jalan Ngee Heng	Freehold	1,706 sq. ft.	Rented Out		84	
	- Lot 2047 Grn 99922 159 Jalan Ngee Heng All in Bandar Johor Bahru, Johor Darul Takzim	Freehold	1,634 sq. ft.	Rented Out/ Staff Quarters	587	84	13.04.2011
v)	Three (3) units Factory Buildings Lot PTD 52695 H.S.(D) 223695 No. 5 Jalan Firma 2/3, Kawasan Perindustrin Tebrau 1 Johor Bahru, Johor Darul Takzim	Freehold	130,835 sq. ft.	Factory cum Office Rented Out	15,317	23	17.04.2016
vi)	Seven (7) Storey Office cum Residential Building (Wisma Harn Len) Lot 11255 Section 64, KTLD Jalan Mendu Kuching, Sarawak	Leasehold 2112	25,911 sq. ft.	Rented Out	8,840	4-6	20.01.2015
vii)	Two units of shopoffice - Lot 1754, Geran 239831 No. 35 & 35A, Jalan Tan Hiok Nee, 80000 Johor Bahru & No. 43 & 43A, Jalan Ibrahim, 80000 Johor Bahru, Johor Darul Takzim	Freehold	157.5584 sq m	Rented Out	2,070	>70	22.12.2017
	- Lot 1755 Geran 41807 No. 44 & 44A, Jalan Ibrahim, 80000 Johor Bahru, Johor Darul Takzim	Freehold	95.3185 sq m	Rented Out	1,683	>70	22.12.2017
2.	**Masranti Plantation Sdn Bhd**						
i)	Lot No 27, Block 2 TRN.: 08-LCLS-024-002-00027 Punda-Sabal Land District of Samarahan Division, Sarawak	Leasehold 2061	13.048 Ha	Oil Palm Plantation	53	N/A	15.01.2004

LIST OF PROPERTIES OF THE GROUP (Cont'd)

	Registered owner/ Location	Tenure – Year of Expiry (For leasehold)	Area	Description/ Existing Use	Net Book Value RM '000	Approximate Age of Building (years)	Date of Acquisition
ii)	Lot No 28, Block 2 TRN.: 08-LCLS-024-002-00028 Punda-Sabal Land District of Samarahan Division, Sarawak	Leasehold 2061	4,456.4 Ha	Oil Palm Plantation	18,188	N/A	15.01.2004
iii)	Lot No 38, Block 8 TRN.: 08-LCPLS-024-008-00038 Punda-Sabal Land District of Samarahan Division Sarawak	Leasehold 2071	525 Ha	Oil Palm Plantation	3,644	N/A	08.09.2011
	Estate Buildings Factory Buildings				7,085 15,930	2-16 3-9	
3.	**Masranti Sebangkoi Sdn Bhd**						
	Kampung Sebangkoi & Kampung Mawang Simunjan Division, Sarawak	NCR Native Land 60 Years	2,140.16 Ha	Oil palm Plantation	14,416	N/A	27.9.13 to 23.7.14 & 7.12.2017
	Estate Buildings						
4.	**Harn Len Pelita Bengunan Sdn Bhd**						
	Kara Rangua Engkaramut Bukit Bengunan, Sri Aman Division Sarawak	NCR Native Land 60 Years	1,982 Ha	Oil palm Plantation	2,100	N/A	23.08.2010
	Estate Buildings				3,031	2-14	
5.	**Harn Len Realty (Serian) Sdn Bhd**						
	Lot No 1515 TRN.: 08-LCPLS-018-000-01515 All in Bukar-Sadong Land District of Samarahan Division, Sarawak	Provisional Lease 21.01.2068	298 Ha	Oil palm Plantation	1,877	N/A	18.08.2011
6.	**Harn Len Realty (Tampoi) Sdn Bhd**						
	Lot No 6033 H.S.(D) 221662 Daerah Johor Bahru, Mukim Bandar, Johor Bahru Johor Darul Takzim	Lease 26.2.2074	0.8073 Ha	Vacant	2,113	N/A	04.01.2015
7.	**Zhangxern Corporation Sdn Bhd**						
	Lot No 1514 TRN.: 08-LCPLS-018-000-01514 Bukar-Sadong Land District of Samarahan Division, Sarawak	Provisional Lease 21.01.2068	199 Ha	Vacant	2,222	N/A	17.11.2016
8	**Midwest Equity Sdn Bhd (961977-W)**						
	Title No. HSD 554637, PTB 24284, Bandar Johor Bahru Johor Bahru, Johor Darul Takzim	Freehold	3,725.8 sq m	Rented out as a carpark	16,816	N/A	15.12. 2018
				Total	245,936		

Abbreviations
N/A - Not Applicable
NCR - Native Customary Rights
Ha - Hectare
Sq m - Square Meters
Sq ft - Square Feet

GROUP CORPORATE STRUCTURE

Harn Len Corporation Bhd
200001000001 (502606-H)
(Principal Activities: Operations of Oil Palm Plantations, Oil Milling Operations, Investment Holding & Property Investment)

100%
Uniglobal Sdn Bhd
199001014664 (206333-V)
Principal Activity:
Dormant

100%
Han Yin Development Sdn Bhd
200301027508 (629928-U)
Principal Activity:
Dormant

100%
Harn Len (Rompin) Sdn Bhd
(Formerly known as Sinar Majestic Sdn Bhd)
201101029418 (957553-H)
Principal Activity:
Dormant

100%
Ngee Heng Square Sdn Bhd
(Formerly known as Golden Majestic Sdn Bhd)
201101029441 (957576-V)
Principal Activity:
Operation of cafeteria

100%
Harn Len (Balai Ringin) Sdn Bhd
201301035936 (1065764-M)
Principal Activity:
Dormant

100%
Harn Len Development (Jerok) Sdn Bhd
201601022258 (1193197-X)
Principal Activity:
Dormant

100%
Masranti Plantation Sdn Bhd (MPSB)
200001027429 (530036-X)
Principal Activity:
Cultivation of oil palms
& operation of a palm oil mill

100% subsidiary of MPSB
Masranti Sebangkoi Sdn Bhd
201301020898 (1050728-P)
Principal Activity:
Cultivation of oil palms

100% subsidiary of MPSB
Masranti Agro Sdn Bhd
201301035988 (1065816-T)
Principal Activity:
Agriculture land
& plantation development services

100%
Zhangxern Corporation Sdn Bhd
200501030906 (713043-P)
Principal Activity:
Property investment

100%
Harn Len Management Sdn Bhd
200401018051 (656554-M)
Principal Activity:
Provisions of oil palm estate &
plantation management

100%
Midwest Equity Sdn Bhd
201101033842 (961977-W)
Principal Activity:
Property Investment

100%
Premium Dragon Sdn Bhd
200401004725 (643228-K)
Principal Activity:
Investment Holding

60%
Harn Len Pelita Bengunan Sdn Bhd
200401033150 (671658-K)
Principal Activity:
Cultivation of oil palm

100%
Harn Len Realty (Serian) Sdn Bhd
200501028956 (711091-K)
Principal Activity:
Cultivation of oil palms

100%
Harn Len Realty (Tampoi) Sdn Bhd
201301011930 (1041768-P)
Principal Activity:
Property Investment

100%
Nusantara Daya Sdn Bhd
198901008580 (185882-X)
Principal Activity:
Ceased Operation

100%
Tanaim Sdn Bhd
199301020910 (275648-K)
Principal Activity:
Ceased Operation

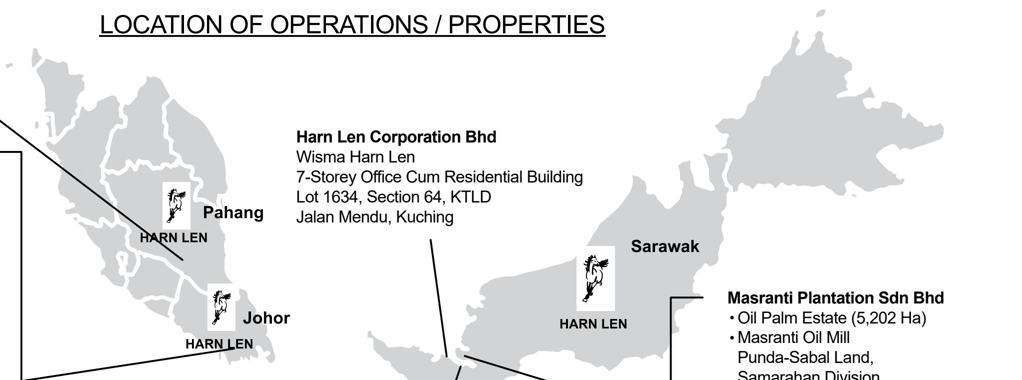
LOCATION OF OPERATIONS / PROPERTIES

Harn Len Corporation Bhd
- Senang Estate (2,116Ha)
- Lian Hup Estate (2,124 Ha)
- Lian Hup Oil Mill
  All in Mukim Keratong
  District of Rompin

- Corporate & Business Office
  25-Storey Office Cum Hotel Building (Johor Tower)
  Jalan Gereja, Johor Bahru
- Six (6) Units of Double-Storey Terrace Shophouses
  Jalan Ngee Heng, Johor Bahru
- Two (2) Units of shopoffice
  Jalan Tan Hiok Nee & Jalan Ibrahim
  Johor Bahru
- Three (3) Units of Factory Building Cum Offices
  Kawasan Perindustrian Tebrau 1
  Johor Bahru

Harn Len Realty (Tampoi) Sdn Bhd
Lot 6033 (0.8073 Ha)
Daerah Johor Bahru
Mukim Bandar, Johor Bahru

Midwest Equity Sdn Bhd
Vacant Land (3,725.8 sq,meter)
Daerah Johor Bahru
Mukim Bandar, Johor Bahru



Harn Len Corporation Bhd
Wisma Harn Len
7-Storey Office Cum Residential Building
Lot 1634, Section 64, KTLD
Jalan Mendu, Kuching

Harn Len Realty (Serian) Sdn Bhd
Plantation Land (298 Ha)
Bukar-Sadong Land,
Samarahan Division

Zhangxern Corporation Sdn Bhd
Vacant (199 Ha)
Bukar-Sadong Land,
Samarahan Division

Masranti Plantation Sdn Bhd
- Oil Palm Estate (5,202 Ha)
- Masranti Oil Mill
  Punda-Sabal Land,
  Samarahan Division

Masranti Sebangkoi Sdn Bhd
Oil Palm Estate (1,551 Ha)
Kampung Sebangkoi &
Kampung Mawang
Simunjan Division

Harn Len Pelita Bengunan Sdn Bhd
Oil Palm Estate (6,344 Ha)
Bukit Bengunan, Sri Aman Division

ANALYSIS OF SHAREHOLDING AS AT 1 JUNE 2020

ISSUED AND PAID-UP SHARE CAPITAL	:	RM177,852,859 DIVIDED INTO 177,852,859 ORDINARY SHARES
NO. OF TREASURY SHARES HELD BY THE COMPANY	:	7,624,300
CLASS OF SHARES	:	ORDINARY SHARES
NO OF SHAREHOLDERS	:	2,539
VOTING RIGHTS	:	ONE VOTE PER ORDINARY SHARE

A) LIST OF SUBSTANTIAL SHAREHOLDERS

		Direct		Deemed interest in shares	
No.	Name of Shareholders	No. of Shares	%	No. of Shares	%
1.	Executors of Estate of Tan Sri Dato' Low Nam Hui ("Executors')	5,384,333	3.03	102,425,675*1	57.59
2.	Puan Sri Datin Chan Pui Leorn	880,000	0.32	112,844,808*2	63.45
3.	Dato Liew Kuek Hin	-	-	114,507,245*3	64.38
4.	Low Quek Kiong	575,000	0.04	107,810,008*4	60.62
5.	Low Kueck Shin	500,000	0.28	107,810,008*4	60.62
6.	Low Kwek Lee	500,000	0.28	107,810,008*4	60.62
7.	Low Kuek Kong	500,000	0.28	107,810,008*4	60.62
8.	Low Kuit Son	-	-	115,390,608*5	64.88
9.	Low Kok Yong	890,000	0.42	112,844,808*6	65.60
10.	Low Kok Yaow	500,000	0.28	112,844,808*6	66.02
11.	LNH Enterprise Sdn Bhd	49,155,896	27.64	8,003,030*7	4.62
12.	Low Nam Hui United Holdings Sdn Bhd	34,765,679	19.55	-	-
13.	Shande Ancestral Park Berhad	10,500,000	5.90	-	-

Notes:-

**1. Deemed interested in the shares held by the Executors, Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd and Shande Ancestral Park Berhad pursuant to Section 8 of the Companies Act, 2016.*

**2. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by her immediate family members namely, the Executors pursuant to Section 8 of the Companies Act, 2016.*

**3. Deemed interested in the shares held by Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his siblings, Low Quek Kiong and Low Kok Yong pursuant to Section 8 of the Act. The legal action vide Johor Bahru High Court Suit No. 23NCVC-8-01-2013 instituted by Dato' Liew has been settled on 23 July 2013. The settlement has affected Dato Liew's indirect shareholdings but no notification has been received from Dato' Liew to the effect.*

**4. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the Executors pursuant to Section 8 of the Companies Act, 2016.*

ANALYSIS OF SHAREHOLDING (Cont'd)
AS AT 1 JUNE 2020

A) LIST OF SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:- (Cont'd)

**5. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the Executors, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 8 of the Companies Act, 2016.*

**6. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the Executors pursuant to Section 8 of the Companies Act, 2016.*

**7. Deemed interested in the shares held by Seri Cemerlang Plantation (Pahang) Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

B) LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct No. of Shares	%	Deemed Interest in Shares No. of Shares	%
1.	Puan Sri Datin Chan Pui Leorn	880,000	0.49	112,844,808*1	63.45
2.	Low Quek Kiong	575,000	0.32	108,310,008*2	60.90
3.	Low Kueck Shin	500,000	0.28	117,860,008*3	60.65
4.	Low Kwek Lee	500,000	0.28	117,860,008*4	60.65
5.	Low Kuek Kong	500,000	0.28	107,810,008*5	60.02
6.	Low Kok Yong	890,000	0.50	112,844,808*1	63.45
7.	Low Kok Yaow	500,000	0.28	112,844,808*1	63.45
8.	Loh Wann Yuan	1	0.00	-	-
9.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
10.	Law Piang Woon	-	-	-	-
11.	Mohamed Akwal Bin Sultan Mohamad	-	-	-	-

Notes:-

**1. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by her immediate family members namely, the Executors of Estate of Tan Sri Dato' Low Nam Hui ('Executors") pursuant to Section 8 of the Companies Act, 2016.*

**2. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the Executors and Low Yew Yern pursuant to Section 8 of the Companies Act, 2016.*

ANALYSIS OF SHAREHOLDING AS AT 1 JUNE 2020

B) LIST OF DIRECTORS' SHAREHOLDINGS (Cont'd)

Notes:- (Cont'd)

**3. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the Executors and Low Yew Yi pursuant to Section 8 of the Companies Act, 2016.*

**4. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the Executors and Brendan Low Chin Yong pursuant to Section 8 of the Companies Act, 2016.*

**5. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the Executors pursuant to Section 8 of the Companies Act, 2016.*

C) DISTRIBUTION OF SHAREHOLDINGS

	No. of Holders	Holdings	Total Holdings	Percentage (%)
	48	Less than 100	1,296	0.000
	932	100 to 1,000	250,620	0.140
	998	1,001 to 10,000	5,160,409	2.901
	475	10,001 to 100,000	16,919,810	9.513
	82	100,001 to less than 5% of issued shares	61,099,149	34.353
	4	5% and above of issued shares	94,421,575	53.089
Total:	2,539		177,852,859	100.00

D) TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS

No.	NAME	NO. OF SHARES HELD	PERCENTAGE (%)
1.	LOW NAM HUI UNITED HOLDINGS SDN BHD	34,765,679	19.55
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LNH ENTERPRISE SDN. BHD.	25,694,000	14.45
3.	LNH ENTERPRISE SDN BHD	23,461,896	13.19
4.	SHANDE ANCESTRAL PARK BERHAD	10,500,000	5.90
5.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	8,003,030	4.50
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TNTT REALTY SDN BHD	7,000,000	3.94
7.	MALGOLD CONSTRUCTION SDN BHD	5,500,000	3.09
8.	LOW NAM HUI	5,384,333	3.03

ANALYSIS OF SHAREHOLDING (Cont'd)
AS AT 1 JUNE 2020

D) TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS (Cont'd)

No.	NAME	NO. OF SHARES HELD	PERCENTAGE (%)
9.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR YONG YAOW PROPERTIES SDN.BHD. (SMART)	5,034,800	2.83
10.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LEE KENG HONG (PB)	5,000,000	2.81
11.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED (FOREIGN)	2,476,300	1.39
12.	TOH EAN HAI	1,960,000	1.10
13.	TEO KWEE HOCK	1,651,500	0.93
14.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KOK YONG (E-TJJ)	890,000	0.50
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN PUI LEORN (7000640)	880,000	0.49
16.	GAN SIOW YONG	774,200	0.44
17.	MAH FOONG HONG	647,000	0.36
18.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	610,700	0.34
19.	GAN HONG LIANG	548,100	0.31
20.	LOW QUEK KIONG	520,000	0.29
21.	LOW KOK YAOW	500,000	0.28
22.	LOW KUECK SHIN	500,000	0.28
23.	LOW KUEK KONG	500,000	0.28
24.	LOW KWEK LEE	500,000	0.28
25.	LOW YEW YERN	500,000	0.28
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH KAH TIONG	500,000	0.28
27.	CHIN HON PUN	473,200	0.27
28.	TAN AIK SENG	438,000	0.25
29.	MAH FOONG HONG	387,300	0.22
30.	LAW HWEE YEE	338,100	0.19

ANALYSIS OF WARRANTHOLDINGS AS AT 1 JUNE 2020

NO OF WARRANTS ISSUED	:	51,965,924
CLASS OF WARRANTS	:	WARRANTS B
NO OF WARRANTHOLDERS	:	2,399

A) LIST OF SUBSTANTIAL WARRANTHOLDERS

		Direct		Deemed interest in shares	
No.	Name of Warrants Holders	No. of Warrants	%	No. of Warrants	%
1.	LNH ENTERPRISE SDN. BHD.	14,743,768	28.36	-	-
2.	LOW NAM HUI UNITED HOLDINGS SDN BHD	10,423,403	20.05	-	-
3.	SHANDE ANCESTRAL PARK BERHAD	3,150,000	6.06	-	-

B) LIST OF DIRECTORS' WARRANTHOLDINGS

		Direct		Deemed interest in shares	
No.	Name of Directors	No. of Warrants	%	No. of Warrants	%
1.	Puan Sri Datin Chan Pui Leorn	165,000	0.32	33,843,819*1	65.13
2.	Low Quek Kiong	22,500	0.04	32,333,379*2	62.22
3.	Low Kueck Shin	-	-	32,333,379*2	62.22
4.	Low Kwek Lee	-	-	32,333,379*2	62.22
5.	Low Kuek Kong	-	-	32,333,379*2	62.22
6.	Low Kok Yong	216,000	0.42	33,843,819*1	65.13
7.	Low Kok Yaow	-	-	33,843,819*1	65.13
8.	Loh Wann Yuan	-	-	-	-
9.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
10.	Law Piang Woon	-	-	-	-
11.	Mohamed Akwal Bin Sultan Mohamad	-	-	-	-

Notes:-

**1. Deemed interested in the warrants held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the warrants held by her immediate family members namely, the Executors of Estate of Tan Sri Dato' Low Nam Hui ('Executors") pursuant to Section 8 of the Companies Act, 2016.*

**2. Deemed interested in the warrants held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd and Shande Ancestral Park Berhad and the warrants held by her immediate family members namely, the Executors of Estate of Tan Sri Dato' Low Nam Hui ('Executors") pursuant to Section 8 of the Companies Act, 2016.*

ANALYSIS OF WARRANTHOLDINGS (Cont'd)
AS AT 1 JUNE 2020

C) DISTRIBUTION OF WARRANTHOLDINGS

No. of Holders	Holdings	Total Holdings	Percentage (%)
798	Less than 100	30,236	0.058
570	100 to 1,000	294,267	0.566
796	1,001 to 10,000	2,781,387	5.352
218	10,001 to 100,000	6,132,445	11.800
22	100,001 to less than 5% of issued warrants	14,410,418	27.730
4	5% and above of issued warrants	28,317,171	54.491
2,399		51,965,924	100.00

D) TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS

No.	NAME	NO. OF WARRANTS HELD	PERCENTAGE (%)
1.	LOW NAM HUI UNITED HOLDINGS SDN BHD	10,423,403	20.06
2.	LNH ENTERPRISE SDN. BHD.	9,435,568	18.16
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LNH ENTERPRISE SDN BHD	5,308,200	10.21
4.	SHANDE ANCESTRAL PARK BERHAD	3,150,000	6.06
5.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	2,400,909	4.62
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TNTT REALTY SDN BHD	2,100,000	4.04
7.	MALGOLD CONSTRUCTION SDN BHD	1,650,000	3.18
8.	LOW NAM HUI	1,615,299	3.11
9.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR YONG YAOW PROPERTIES SDN.BHD. (SMART)	1,510,440	2.91
10.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LEE KENG HONG (PB)	1,500,000	2.89
11.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED (FOREIGN)	743,190	1.43
12.	TAN TZU PIN	314,900	0.61
13.	TEO KWEE HOCK	313,200	0.60
14.	MAH FOONG HONG	283,770	0.55
15.	GAN SIOW YONG	238,200	0.46
16.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LU LIP LAI (731389)	232,340	0.45
17.	S'NG HOOI SEAH	221,900	0.43
18.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	183,210	0.35

ANALYSIS OF WARRANTHOLDINGS (Cont'd)
AS AT 1 JUNE 2020

D) TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS (Cont'd)

No.	NAME	NO. OF WARRANTS HELD	PERCENTAGE (%)
19.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN PUI LEORN (7000640)	165,000	0.32
20.	GAN HONG LIANG	164,430	0.32
21.	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR EWE HONG KHOON	143,340	0.28
22.	CHIN HON PUN	141,960	0.27
23.	MOHD MANSOR BIN ISMAIL	138,500	0.27
24.	TAN AIK SENG	131,400	0.25
25.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KOK YONG (E-TJJ)	117,000	0.23
26.	LAW HWEE YEE	101,430	0.20
27.	LIM CHOON TIANG	100,000	0.19
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LIAN HOCK (E-SPI)	100,000	0.19
29.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KOK YONG (TJJ/KEN)	99,000	0.19
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHING SOONG (470478)	98,430	0.19

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

Dear Valued Members,

ISSUANCE OF ANNUAL REPORT 2019

It is our pleasure to present to you the Annual Report 2019 of Harn Len Corporation Bhd ("Company").

The Board considers the well-being and safety of staff and members as the utmost priority of the Company and will monitor the development of the COVID-19 pandemic to determine the appropriate time and solution for convening the Company's 20th Annual General Meeting ("20th AGM"). The date of 20th AGM will be announced in due course and hence the Notice of 20th AGM and Proxy Form will be issued separately from the Annual Report 2019.

The Annual Report 2019 is available on Bursa Malaysia's website and the Company's website at http://harnlen.com.my/investor.html

You may also request for a printed copy of Annual Report 2019 at https://tiih.online by selecting "Request for Annual Report" under the "Investor Services". Alternatively, you may make your request through telephone or email to our Share Registrar, **Tricor Investor & Issuing House Services Sdn Bhd**, at the contact number or email address stated below:

Tel : +603-2783 9299 (General)
Email : is.enquiry@my.tricorglobal.com

We strongly encourage members to download and refer to the digital version of the Annual Report 2019 for the time being. Any request for a printed copy of the Annual Report 2019 will be subject to the Movement Control Order restrictions at the relevant point in time.

We thank you for your continued support to the Company.

By Order of the Board

Fong Siew Kim (MAICSA No. 7022188)
Yong May Li (LS 0000295)
Wong Chee Yin (MAICSA No. 7023530)
Wendy Mak Mei Ching (MAICSA No. 7022764)

Company Secretaries
Johor Bahru
30 June 2020

汉联机构有限公司
HARN LEN CORPORATION BHD
200001000001 (502606-H)
6th Floor, Johor Tower 15, Jalan Gereja, 80100 Johor Bahru, Johor
Tel: 07-2221777 Fax: 07-2249213 Email: general@harnlen.com.my
Website: www.harnlen.com.my