



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



**ANNUAL REPORT 2018**



<b>2</b>	NOTICE OF ANNUAL GENERAL MEETING
<b>10</b>	CORPORATE INFORMATION
<b>11</b>	5 YEARS KEY STATISTICS
<b>13</b>	DEPUTY EXECUTIVE CHAIRMAN'S STATEMENT
<b>15</b>	PROFILE OF DIRECTORS
<b>21</b>	KEY MANAGEMENT OFFICERS
<b>23</b>	MANAGEMENT DISCUSSION & ANALYSIS
<b>28</b>	CORPORATE GOVERNANCE OVERVIEW STATEMENT
<b>35</b>	SUSTAINABILITY REPORT
<b>58</b>	REPORT OF THE AUDIT COMMITTEE
<b>61</b>	STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
<b>65</b>	ADDITIONAL COMPLIANCE INFORMATION
<b>67</b>	FINANCIAL STATEMENTS
<b>160</b>	LIST OF PROPERTIES OF THE GROUP
<b>163</b>	GROUP CORPORATE STRUCTURE
<b>164</b>	ANALYSIS OF SHAREHOLDINGS

PROXY FORM





## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Nineteenth (19<sup>th</sup>) Annual General Meeting of Harn Len Corporation Bhd (“Harn Len” or “the Company”) will be held at Merdeka Hall, Ground Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru on Friday, 28 June 2019 at 9.30 am for the following purposes:-

### Ordinary Business:-

- |    |   |  |
|----|---|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.  | <b>Please refer to Explanatory Notes 1</b>   |
| 2. | To approve the payment of Directors’ fees of RM200,000 for the financial year ended 31 December 2018.   | <b>Ordinary Resolution 1</b>   |
| 3. | To approve the payment of Directors’ benefits payable to the Directors up to RM280,000 for the period 1 July 2019 to 30 June 2020.  | <b>Ordinary Resolution 2</b>   |
| 4. | To re-elect the Directors who retire in accordance with Article 84 of the Company’s Articles of Association, constituting part of the Constitution of the Company :-<br><br>i) Puan Sri Datin Chan Pui Leorn<br>ii) Mr Loh Wann Yuan<br>iii) Mr Low Kuek Kong<br>iv) Mr Lee Chon Sing | <b>Ordinary Resolution 3</b><br><b>Ordinary Resolution 4</b><br><b>Ordinary Resolution 5</b> |
|    | Mr Lee Chon Sing who retires in accordance with Article 84 has expressed his intention not to seek for re-election and will retain office until the close of the said Annual General Meeting.   |  |
| 5. | To re-appoint Messrs Deloitte PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 6</b>   |

### SPECIAL BUSINESS:-

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

- |    |  |                              |
|----|--|------------------------------|
| 6. | <b>ORDINARY RESOLUTIONS - CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS</b>  |                              |
|    | i) “THAT approval be and is hereby given to Mr Loh Wann Yuan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.”                       | <b>Ordinary Resolution 7</b> |
|    | ii) “THAT approval be and is hereby given to Brig. Jen. (B) Dato’ Ali Bin Hj. Musa who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.” | <b>Ordinary Resolution 8</b> |
|    | iii) “THAT approval be and is hereby given to Mr Law Piang Woon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.”                    | <b>Ordinary Resolution 9</b> |





## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

7. **ORDINARY RESOLUTION - AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 (“AUTHORITY TO ALLOT SHARES”)** **Ordinary Resolution 10**

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

8. **ORDINARY RESOLUTION - PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (“PROPOSED RENEWAL OF SHARE BUY-BACK”)** **Ordinary Resolution 11**

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

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

(“Proposed Share Buy-Back”)



## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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

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

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

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

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

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



## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

9. **ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")**

"THAT, subject to compliance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all applicable laws, regulations and guidelines, approval be and is hereby given to the Company and/or its subsidiaries ("Harn Len Group") to enter into Recurrent Related Party Transactions of a revenue or trading nature with the specified classes of related parties as detailed below, which set out in Section 2.4 to Section 2.6 of Part B of the Circular to Shareholders dated 30 April 2019 :

- (1) Low Nam Hui & Sons Sdn Bhd
- (2) KangHui Travel Sdn Bhd
- (3) LNH Enterprise Sdn Bhd

**Ordinary Resolution 12**  
**Ordinary Resolution 13**  
**Ordinary Resolution 14**

Provided that such transactions are necessary for the Harn Len Group's day-to-day operations subject to the following:-

- (i) the transactions are necessary for the day to day operations of the Company and its subsidiaries and in the ordinary course of business, which are at arm's length, on normal commercial terms and are on terms and transaction prices not more favourable to the related party than those generally available to the public and not detrimental to minority shareholders of the Company;
- (ii) The mandate is subject to annual renewal. In this respect, any authority conferred by a mandate shall only continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(2) of the Companies Act 2016); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolutions.



## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

10. **SPECIAL RESOLUTION - PROPOSED ADOPTION OF A NEW COMPANY CONSTITUTION IN PLACE OF THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION (“PROPOSED ADOPTION OF THE NEW CONSTITUTION”)** **Special Resolution**

“That a new Constitution as set out in Annexure A be adopted in place of the existing Memorandum and Articles of Association of the Company; and that the Directors and Secretaries be and are hereby authorised to take all actions they may consider necessary or expedient as may be required by the relevant authorities in order to finalise, implement and give full effect to the proposed adoption of the new Constitution.”

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

### NOTICE OF GENERAL MEETING RECORD OF DEPOSITORS

**NOTICE IS ALSO HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend the 19th Annual General Meeting, Harn Len shall request from Bursa Malaysia Depository Sdn Bhd in accordance with the provisions under Article 62 of Harn Len’s Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors (“General Meeting ROD”) as at 19 June 2019. Only a depositor whose name appears on the General Meeting ROD as at 19 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.

By Order of the Board

**HARN LEN CORPORATION BHD**

Fong Siew Kim (MAICSA No. 7022188)

Yong May Li (LS 0000295)

Wong Chee Yin (MAICSA No. 7023530)

Company Secretaries

Johor Bahru

30 April 2019

### Notes:-

1. Only members registered in the Record of Depositors as at 19 June 2019 are eligible to attend, speak and vote at the Company’s 19<sup>th</sup> Annual General Meeting or to appoint proxy to attend, speak and vote on his/her behalf.
2. A member who is entitled to attend and vote at the meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote instead of the member at the meeting. A proxy need not be a member and there shall be no restriction as to the qualification of the proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“SICDA”), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA.



## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### Notes:- (Cont'd)

5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
6. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of its attorney duly authorised.
7. The Proxy Form must be deposited with the Company Secretary at the Registered Office, 6th Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru, Johor, not less than 48 hours before the time set for holding the meeting.

### Explanatory Notes:-

#### Ordinary Business:

##### 1. **Item 1 of the Agenda**

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

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

###### **Directors' Benefit for the period 1 July 2019 to 30 June 2020**

The total estimated benefit payable comprised of meeting allowance and annual allowance for the Board Committees of the Company for the period 1 July 2019 to 30 June 2020.

#### Special Business:-

##### 3. **Item 6 of the Agenda Ordinary Resolutions 7, 8 and 9 Continuing in office as Independent Non-Executive Directors**

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

The proposed Resolutions 7, 8 and 9 proposed under Agenda 6(i), 6(ii) and 6(iii), if passed, will allow Mr Loh Wann Yuan, Brig. Jen. (B) Dato' Ali Bin Hj. Musa and Mr Law Piang Woon to be retained and continue to act as Independent Non-Executive Directors of the Company to fulfill the requirements of Paragraph 3.04 of Bursa Securities Main LR and in line with the practice No. 4.2 of the Malaysian Code of Corporate Governance 2017.

The full details of the Board's justification and recommendations for the retention of the above Directors as Independent Non-Executive Directors are set out in the Corporate Governance Overview Statement in the Annual Report 2018 on page 31.





## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### Special Business:- (Cont'd)

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

The proposed Ordinary Resolution 10 is the renewal of the mandate obtained from the members at the 18<sup>th</sup> Annual General Meeting held on 27 June 2018. As at the date of this Notice, no new shares in the Company were issued pursuant to the last mandate.

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

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

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

The details of this proposed Ordinary Resolution are set out in Part A of the Circular to the Shareholders of the Company dated 30 April 2019 which is dispatched together with the Company's Annual Report 2018.

6. **Item 9 of the Agenda**  
**Ordinary Resolutions 12, 13 and 14**  
**Proposed Renewal of Shareholders' Mandate**

The Board had on 28 March 2019 announced that the Company would seek the approval from its shareholders for the Proposed Renewal of Shareholders' Mandate. The existing Shareholders' Mandate obtained on 27 June 2018 will expire at the conclusion of the forthcoming 19<sup>th</sup> Annual General Meeting to be held on 28 June 2019.

The Resolutions 12, 13 and 14 proposed under Agenda 9(1), 9(2) and 9(3) if passed, will renew the mandates for the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with Low Nam Hui & Sons Sdn Bhd, KangHui Travel Sdn Bhd and LNH Enterprise Sdn Bhd as set out in Section 2.6 of Part B of the Circular to Shareholders dated 30 April 2019, which is sent out together with the Company's Annual Report 2018. The mandates shall continue in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company in a general meeting and is subject to renewal.



## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### Special Business:- (Cont'd)

7. **Item 10 of the Agenda**  
**Special Resolution**  
**Proposed Adoption of the New Constitution**

This proposed Special Resolution, if passed, will enable the Company to adopt a new Constitution in place of the existing Memorandum and Articles of Association of the Company which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other provisions of laws and regulations that are applicable to the Company.

For further information on the Proposed Adoption of the New Constitution, please refer to the Annexure A enclosed together with this Notice of General Meeting of the Company dated 30 April 2019.

### **STATEMENT ACCOMPANYING NOTICE OF 19<sup>TH</sup> ANNUAL GENERAL MEETING**

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

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

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

However, Mr Lee Chon Sing has expressed his intention not to seek for re-election at the 19<sup>th</sup> Annual General Meeting and hence, he will cease to act as a Director of the Company at the close of the said Annual General Meeting.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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

### 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

### AUDITORS

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

### 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

### PRINCIPAL BANKERS

Public Bank Berhad
Bank of China (Malaysia) Berhad
Bangkok Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad
Alliance Bank (Malaysia) Berhad
CIMB Bank (Malaysia) Berhad

### REMUNERATION COMMITTEE

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

### STOCK EXCHANGE LISTING

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

### REGISTERED OFFICE / BUSINESS ADDRESS

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

### WEBSITE

<a href="http://www.harmlen.com.my">www.harmlen.com.my</a>
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### SECRETARIES

Ms Yong May Li (LS 0000295)
Ms Wong Chee Yin (MAICSA No. 7023530)
Ms Fong Siew Kim (MAICSA No. 7022188)

### 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				
		2018	2017	2016	2015	2014
<b>FINANCIAL PERFORMANCE</b>						
<b>(Restated)</b>						
Revenue	(RM'000)	185,732	324,978	269,556	243,183	271,582
Profit / (Loss) From Operations	(RM'000)	(9,284)	21,285	7,155	(15,563)	9,508
EBITDA	(RM'000)	13,335	42,138	27,216	4,638	27,709
Profit / (Loss) Before Tax	(RM'000)	(19,732)	14,451	1,969	(18,679)	7,465
Taxation (Income)/ Expense	(RM'000)	2,754	8,054	6,851	983	5,627
Profit / (Loss) After Tax	(RM'000)	(22,486)	6,397	(4,882)	(19,662)	1,838
Net (Profit) / (Loss) to equity holders	(RM'000)	(21,172)	6,119	(8,340)	(14,062)	2,435
Shareholders' Equity	(RM'000)	295,498	316,672	312,984	326,367	340,430
Total Assets	(RM'000)	567,420	552,032	497,114	463,338	440,428
Total Borrowings	(RM'000)	139,413	123,649	112,890	85,752	44,459
Return on Equity	%	(7.16)	1.93	(2.66)	(4.31)	0.72
PE Ratio (times)		N/A	18	N/A	N/A	82
Return on Total Assets	%	(3.73)	1.11	(1.68)	(3.03)	0.55
Gearing Ratios		1:2.12	1:2.56	1: 2.77	1: 3.81	1: 7.66
Interest Cover (times)		1.28	6.16	5.23	1.48	13.56
Nett Debts to shareholders equity	%	47	39	31	21	8
Earnings Per Share-Basic	Sen	(12.22)	3.43	(4.60)	(7.60)	1.31
Net Assets Per Share	RM	1.64	1.72	1.69	1.69	1.79
Gross Dividend per share	Sen	-	-	-	-	8
Gross Dividend yield	%	-	-	-	-	7.5
Share Price at financial year end	Sen	34	62	80	100	107
<b>ESTATES</b>						
<u>Planted area</u>						
Mature	(ha)	13,269	11,387	10,855	11,867	11,783
Immature	(ha)	3,814	5,493	6,046	2,377	1,239
Total Planted Area	(ha)	17,083	16,880	16,901	14,244	13,022
FFB Production	(mt)	180,023	182,161	162,277	181,198	174,151
Yield Per Mature Hectare	(mt/ha)	13.567	15.997	14.949	15.269	14.780
<b>MILLS</b>						
<u>FFB Processed</u>						
Own FFB	(mt)	180,023	182,161	108,055	132,536	130,141
Outside FFB	(mt)	141,889	214,281	324,087	322,923	313,108
Total	(mt)	321,912	396,442	432,142	455,459	443,249
<u>Production</u>						
Crude Palm Oil	(mt)	66,615	79,475	84,471	89,160	88,939
Palm Kernel	(mt)	14,424	17,111	17,914	20,634	20,471
<u>Extraction Rate</u>						
Crude Palm Oil						
Extraction Rate	(%)	20.69	20.05	19.60	19.58	20.07
Palm Kernel						
Extraction Rate	(%)	4.48	4.32	4.70	4.53	4.62
<u>Average Selling Prices (Nett)</u>						
Crude Palm Oil	(RM/mt)	2,257	2,766	2,549	2,084	2,294
Palm Kernel	(RM/mt)	1,706	2,432	2,332	1,432	1,534
<u>Profile of Trees</u>						
Immature (0-3 years)	Ha	3,814	5,493	6,046	2,377	1,239
Young (4-7 years)	Ha	2,808	1,057	3,734	3,644	4,142
Prime (8-19 years)	Ha	10,461	10,247	6,813	6,813	6,104
Past Prime (> 20 years)	Ha	0	83	308	1,410	1,537

EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation

N/A - Not Applicable

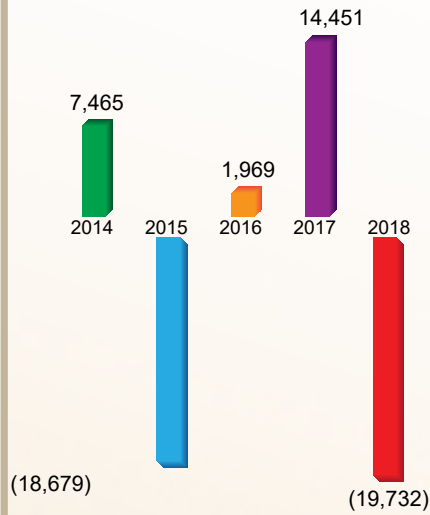
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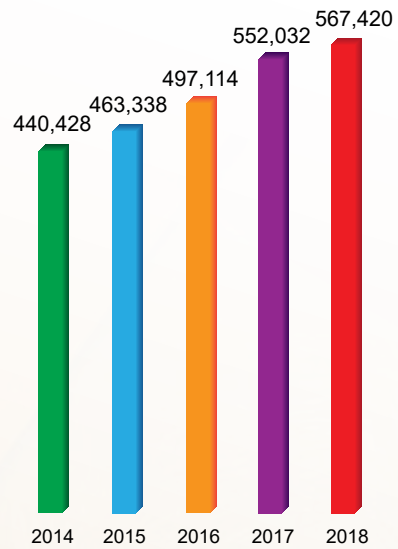


## 5 YEARS KEY STATISTICS (Cont'd)

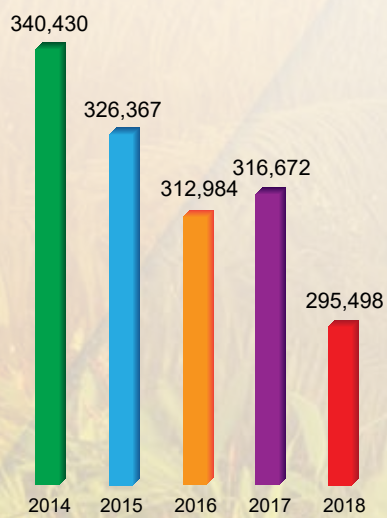
### Profit/(Loss) Before Tax



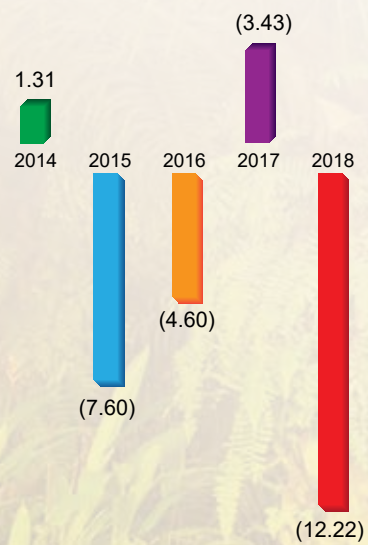
### Total Assets



### Shareholders' Equity



### Earning Per Share-Basic





## DEPUTY EXECUTIVE CHAIRMAN'S STATEMENT



### Dear Shareholders

The year 2018 was an exceedingly challenging year for the Company and its subsidiaries as the Group faced relentless headwinds in the form of prolonged depressed commodity prices and declining crop yields. Notwithstanding such pressures, the Group remains resolute and focused in deploying remedial measures to mitigate the adversities that come about as we believe that behind every dark cloud, is a silver lining. Against such an economic backdrop, I take this opportunity to share with our shareholders and other stakeholders on how the Group performed for the financial year ended 31 December 2018.

### Financial Performance

For the financial year under review, the Group recorded a pre-tax loss of RM22.5 million as compared to a pre-tax profit of RM14.5 million in the preceding year on the back of revenue of approximately RM186 million and RM326 million for financial year 2018 and 2017 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.

The Group is not sitting idle but has initiated pertinent counteractive measures to redress the situation – some of the key corporate exercises undertaken since the last financial year to boost the financial standing and earnings potential in the future are as follows:

### Corporate Development

- The acquisition from three (3) parties of the entire issued and paid up share capital in Midwest Equity Sdn Bhd, a property investment company, on 29 May 2017, for a purchase consideration of RM28 million was completed on 15 November 2018. This company owns a choice piece of land located in the heart of Johor Bahru City Centre which has potential for strategic development value to be unlocked;
- On 27 March 2018, the Company entered into Management Agreements with five (5) plantation companies to develop and manage their biological assets. 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. The Proposed Arrangement was approved at the Company's Extraordinary General Meeting held on 27 June 2018 and completed on 31 December 2018; and
- On 8 August 2018, the Company entered into a 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 RM19,000,000 and it was completed in 31 January 2019.





## DEPUTY EXECUTIVE CHAIRMAN'S STATEMENT (Cont'd)

### Corporate Development (Cont'd)

- 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**") (collectively, referred to as the "**Lian Hup Assets**") 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).

### Sustainability Practices

Sustainability is an integral component of the Group's strategy to create long-term value for shareholders and other stakeholders. The Group is cognizant of how its operations may impact upon the economic, environment and social realms in the community that the Group operates in. Apart from forging economic viability in its business, the Group is mindful of the need to adopt practices that build and undergird our 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 the Group's commitment to high standards of governance, pragmatic sustainability practices, as well as continued investment in human capital development invariably position us for future growth in our quest to fulfil the expectations of shareholders and other stakeholders. Further details of our sustainability practices and the implications there are set out on pages 35 to 57 of this Annual Report.

### Prospects

The economic climate is foreseen to be uncertain with the ongoing trade tensions between USA and China that do not seem to abate. Pressure groups in the West, in particular the European Market, which clamour for consumers to move away from palm oil, alleging that the growers are not adhering to sustainability practices, if unrebutted, will bring to bear upon the demand for our products.

Notwithstanding such uncertainties, the Group remains resolute as it focuses 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, all with the view of boosting returns and fortifying the financial sinews of the Group.

### Acknowledgement

I take this opportunity to express my heartfelt appreciation to our Board members, Management team and employees of the Harn Len Group for their invaluable and unwavering dedication and commitment in leading 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 essential to enable us to adapt to the evolving marketplace and environment.

### **PUAN SRI DATIN CHAN PUI LEORN**

Deputy Executive Chairman  
29 April 2019



## PROFILE OF DIRECTORS



### **PUAN SRI DATIN CHAN PUI LEORN** NON-INDEPENDENT, EXECUTIVE

**Puan Sri Datin Chan Pui Leorn (Puan Sri Datin Chan)**, aged 60, 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 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 and SMES 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 20 of the Financial Statements.



### **LOW QUEK KIONG** NON-INDEPENDENT, EXECUTIVE

**Low Quek Kiong ("Low QK")**, aged 67, 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 20 of the Financial Statements.





## PROFILE OF DIRECTORS (Cont'd)



**LOW KUECK SHIN**  
NON-INDEPENDENT, EXECUTIVE

*Low Kueck Shin, KMN (“Low KS”)*, aged 62, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr 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 20 of the Financial Statements.



**LOW KWEK LEE**  
NON-INDEPENDENT, EXECUTIVE

*Mr Low Kwek Lee (“KL Low”)*, aged 60, 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 20 of the Financial Statements.



## PROFILE OF DIRECTORS (Cont'd)



### **LOW KUEK KONG**

NON-INDEPENDENT, EXECUTIVE

**Low Kuek Kong** (“**Low KK**”), aged 52, 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 20 of the Financial Statements.



### **LEE CHON SING**

NON-INDEPENDENT, EXECUTIVE

**Lee Chon Sing**, aged 77, a Malaysian Male, was appointed to the Board of Harn Len on 15 April 2002 and was subsequently appointed the Group General Manager of Harn Len on 1 August 2003. He is a member of the Remuneration Committee. He graduated from Nanyang University, Singapore with a Degree in Economics in 1965. He joined the LNH Group in 1966 and was the General Manager of LNH Group until July 2003.

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

Mr Lee 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.

Mr Lee has expressed his intention not to seek for re-election at the Nineteenth (19th) Annual General Meeting and hence, he will cease to act as a Director of the Company at the close of the said Meeting.



## PROFILE OF DIRECTORS (Cont'd)



### **LOH WANN YUAN**

SENIOR INDEPENDENT, NON- EXECUTIVE

*Loh Wann Yuan*, aged 50, 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 24 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 76, 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 77, 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).

Mr Law is also an Independent Non-Executive Director of White Horse Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

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 65, 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 33, a Malaysian Male, was appointed to the Board of Harn Len as an Executive Director on 1 January 2014. He attended Cambridge Tutors College, South Croydon, England for his A-levels. He joined Harn Len on 1 September 2005 as a Management Trainee and was subsequently promoted to Head of Business Development in 2010.

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

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

Mr Low KY is an immediate family member of Puan Sri Datin Chan, Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong and Mr Low Kok Yaow who are all directors of the Company. Mr Low KY is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 20 of the Financial Statements.



### LOW KOK YAOW

NON-INDEPENDENT, EXECUTIVE

**Low Kok Yaow (“Low KYw”)**, aged 30, a Malaysian Male, was appointed to the Board of Harn Len as an Executive Director on 1 January 2015. Mr Low KYw holds a Bachelor of Business & Commerce from Monash University, Melbourne, Australia. He joined Harn Len on 1 August 2011 as a Business Development Manager and was subsequently promoted to Head of Business Development of 1 January, 2014.

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

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

Mr Low KYw is an immediate family member of Puan Sri Datin Chan and the sibling of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong and Mr Low Kok Yong who are all directors of the Company. Mr Low KYw is a substantial shareholder of the Company by virtue of his 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 20 of the Financial Statements.

## CONVICTION OF OFFENCE

None of the directors have been convicted of any offences within the past five (5) years and imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018 other than traffic offences, if any.



## KEY MANAGEMENT OFFICERS



**LOW YEW YERN**  
CHIEF FINANCIAL OFFICER

**Low Yew Yern**, 40, Malaysian Male, graduated from University of London with a Degree in Economics in 1999 and Masters in Economics in 2001. He also holds an Executive Master in Plantation Management from Asia e University in 2018. 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 immediate family member of 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, all Directors of the Company and is related to the major shareholders of the Company. By virtue of his 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 20 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, 2018.



**MDM LAI NYUK FAH**  
GENERAL MANAGER, SARAWAK OPERATIONS

**Mdm Lai Nyuk Fah**, 59, 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 marketing labels from 1979 to 2003. She joined Masranti Plantation Sdn Bhd, a wholly owned subsidiary of Harn Len in July 2003 as 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, 2018.



## KEY MANAGEMENT OFFICERS (Cont'd)



### **ANTHONY IGNATIUS PILLAY** GROUP ESTATE MANAGER

**Anthony Ignatius Pillay**, 71, Malaysian Male, holds a Diploma of Agriculture from Queensland Agriculture College, Australia. Mr Pillay has been the Group Estate Manager since July, 2003.

He has vast experience in the plantation industry, managing oil palm plantations in Negeri Sembilan and Pahang and also rubber estates in Perak and has worked in various estates in his capacity as Estate Manager since 1969. Prior to joining the Company, he was the Group Estate Manager with Low Nam Hui & Sons' Group.

He 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.

He 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, 2018.





## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

This Statement provides a discussion and analysis of the Group's financial performance for the year ended 31 December 2018, including explanations for significant fluctuations over the previous financial year.

The Group's principal business segments, which remained unchanged from the preceding 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	Pahang and Sarawak
Hotel & Property Investment, comprising: • Hotel Operations • Property Investment	Johor Johor and Sarawak

### 2018 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)	2018	2017	Change (%)
<b>Group Revenue</b>	<b>185,732</b>	<b>324,978</b>	<b>(42.8)</b>
Segments			
• Plantation	178,085	310,777	(42.7)
• Hotel and Property Investment	7,647	14,201	(46.2)
<b>Group (Loss)/Profit Before Tax</b>	<b>(19,732)</b>	<b>14,451</b>	<b>(236.5)</b>
Segments			
• Plantation	1,021	29,634	(96.6)
• Hotel and Property Investment	(4,402)	(1,543)	185.3
<b>(Loss)/Profit from Segment Operations</b>	<b>(3,381)</b>	<b>28,091</b>	<b>(112.0)</b>

For the financial year ended 31 December 2018, the Group's revenue and pre-tax results declined markedly as can be seen in the table above largely due to lower contribution from the Plantation division, both in terms of revenue and segment operating results. The downtrend was exacerbated by sustained depressed and sluggish commodity prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK"), and finance costs resulting from borrowings to meet obligations and commitments of the Group.

Concerted efforts have been taken and will continue to be meted out by the Board of Directors and Management to address the challenges, notably:

- measures deployed to rationalise the cost of operations, focusing on manpower and its deployment for more efficient use with the aim of containing the cost of production/operations;
- spur productivity towards enhancing the yield of crops and the oil extraction rates;
- trimming of non-priority spending; and
- cessation of hotel operations and seeking a party to lease the property.





## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (Cont'd)

### Liquidity and Capital Resources

Cash and cash equivalents of the Group dropped by RM3.5 million during the financial year as compared to an increase of RM1.4 million in 2017, culminating from the following cashflow activities:

Net cash generated from/ (used in)	2018 (RM'000)	2017 (RM'000)	Changes (%)
Operating activities	<b>59,879</b>	55,791	7.3
Investing activities	<b>(50,744)</b>	(52,004)	(2.4)
Financing activities	<b>(12,624)</b>	(2,356)	435.8
Increase/ (Decrease) in cash and cash equivalents	<b>(3,489)</b>	1,431	(343.8)

The movements in cash and cash equivalents are mainly due to the following:

- The increase in cashflows from operating activities on the timing of collection of receivables, both trade and non-trade, offset by the effects of overall decline in crop yield and depressed prices of CPO and PK throughout the financial year;
- The decrease in cashflows from investing activities due to the acquisition of a wholly-subsiary, namely Midwest Equity Sdn Bhd, with partial payment of RM14.7 million, whilst for the preceding year, the Group collected proceeds totalling RM30.1 million from disposal of investment and investment properties; and
- The decline in financing activity cashflows mainly due to lesser drawdown of term loans (RM7 million) as compared to preceding year (RM10.8 million) in view of the availability of funds generated from operating activities.

The Group's capital resources comprise primarily cashflows generated by operating activities, cash and cash equivalents, and available lines of credit. As at 31 December 2018, the Group's gearing ratio and other relevant indicators are tabulated below:

Key indicators	31 December 2018	31 December 2017
Market capitalisation (RM'000)	<b>58,895</b>	107,576
Shareholders' Equity (RM'000)	<b>284,578</b>	307,067
Total Assets (RM'000)	<b>567,420</b>	552,032
Borrowings (current and long- term) (RM'000)	<b>139,413</b>	123,649
Gearing (Debt/Equity)	<b>0.49</b>	0.40

With the gearing ratio increasing during the year, the Group continues to maintain a prudent approach towards managing its capital resources to ensure their adequacy in meeting operational requirements and capital expenditure from time to time.

### Segment results and analysis

#### Plantation

The plantation division, which operations are 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 markedly dented by declining crop yield and depressed commodity prices throughout the financial year.



## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

### Plantation (Cont'd)

The age profile of planted areas and their associated yield performance are set out below:

Age profile of palm trees	Hectares				Total
	Immature	4-7 years	8-19 years	20 years & beyond	
<b>FY2018</b>	<b>3,814</b>	<b>2,808</b>	<b>10,461</b>	<b>-</b>	<b>17,083</b>
FY2017	5,493	1,057	10,247	83	16,880
FY2016	6,046	3,734	6,813	308	16,901
FY2015	2,377	3,644	6,813	1,410	14,244

Yield Performance	FFB Production (MT)	Yield Per Hectare (MT)	Hectares FFB Processed (MT)	Selling Price	
				CPO	PK
				<b>FY2018</b>	<b>180,023</b>
FY2017	182,161	15.997	396,442	2,766	2,432
FY2016	162,277	14.949	432,142	2,549	2,332
FY2015	181,198	15.269	455,459	2,084	1,432

### FFB – Fresh Fruit Bunches

Set out below is a summary of the quarterly average selling prices of CPO and PK for FY 2018 as compared to 2017, which contributed to the Group's revenue reduction during the financial year:

Average Selling Price RM per MT	1 <sup>st</sup> Quarter		2 <sup>nd</sup> Quarter		3 <sup>rd</sup> Quarter		4 <sup>th</sup> Quarter	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
<b>CPO</b>	<b>2,390</b>	2,988	<b>2,370</b>	3,313	<b>2,215</b>	2,603	<b>2,129</b>	2,684
<b>PK</b>	<b>2,236</b>	3,075	<b>1,655</b>	2,363	<b>1,663</b>	2,007	<b>1,418</b>	2,532

The Plantation division recorded a significant drop in revenue of RM132.7 million, largely attributed to the following:

- decline in tonnage sold, resulting from the lower yield and by extension the reduced quantity of FFB processed;
- marked downturn in average commodity prices of approximately 18% and 30% for CPO and PK respectively which were sustained throughout the financial year; and
- capacity of the mills was not optimally utilised due to lower availability of crops, resulting in fixed production overheads which were not absorbed.

The division continues to face challenges, not only in terms of subdued commodity prices but also the availability of workers in the field, in particular harvesters, 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.



## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (Cont'd)

### Hotel Operations

2018 was a challenging year for the hospitality and tourism industry, in particular Johor, and it is no thanks to the perennial competition in the market place which intensified with the emergence of boutique hotels as well as the availability of Airbnb facilities in downtown Johor Bahru which offered cut-throat rates just to secure a share of the pie. Our Hotel division, operating under the name of Tropical Inn, was invariably impacted by such competition and lacklustre market as can be seen from the average room rates which hardly moved over the last 3 years and the declining occupancy rates as follows:

Financial year	Average room rate (RM)	Average occupancy rate (%)
2018	83	42
2017	81	52
2016	76	59

Owing to recurring losses, the Group has ceased operating the Hotel division at the end of Quarter 1, 2019 and has placed out invitations for interested hotel operators to lease the property. This move is expected to be instrumental in mitigating the continuing losses suffered by this division. Resources for this Hotel have either been allowed to leave with compensation or re-deployed in other areas of the Group's business.

### 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:

	Johor Tower Lettable area (square feet)	Occupancy rate (%)	Average rental rate (RM per square foot)
<b>FY2018</b>	<b>79,400</b>	<b>68</b>	<b>2.36</b>
FY2017	88,021	75	2.23
FY2016	87,466	75	2.23

The Group entered into a Share Sale Agreement during the last financial year with three (3) parties to acquire the entire issued and paid up share capital of Midwest Equity Sdn Bhd for a total cash consideration of RM28 million, the acquisition of which was completed during the financial year under review. This subsidiary is the registered owner of the land held under H.S.(D) 554637 PTD 24284, Bandar Johore Bahru which is located right smack in the heart of Johor Bahru City Centre with potential for strategic development to be unlocked.

### Risk Management and Key Measures Taken

The Group anticipates business risks as it goes about its operations. The key risks which have been identified by the Board, through the Group's Enterprise Risk Management Committee, cover mainly liquidity, manpower for harvesting operations and rationalisation of costs to remain viable in the face of depressed commodity prices. Pertinent measures have been taken by the Group to address the above risks, which included an announcement made to Bursa Malaysia Securities Berhad on 4 March 2019 concerning the prospective disposal of the Group's estates located in Pahang, together with an oil mill, through an open tender to be handled by an authorised property agent. Pursuant thereto, the property agent had advertised in various media to invite interested bidders for the tender.



## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (Cont'd)

### 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 2018.

### Forward Looking Statement

The Board anticipates commodity prices to remain subdued in view of the ongoing trade tensions between the two superpowers, namely the USA and China, which affect the global economy with ongoing uncertainties. In addition, the current stance taken by the West, in particular the European market, to discourage the use of palm oil, largely contending that planters are not adhering to sustainability practices, will continue to dampen market.

The Board foresees a challenging year for the Group and will exercise particular caution in major decisions that may require significant cash outflows. Notwithstanding, the Board will focus on its cost rationalisation efforts and leverage measures to enhance efficiency and productivity in order to steer the Group towards growth.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Harn Len Corporation Bhd (“Company”) recognises the importance of applying high standards of corporate governance in the Company for the purposes of safeguarding the interest of its shareholders and other stakeholders as well as the assets of the Group, comprising the Company and all its subsidiaries. In adopting corporate governance practices, the Board is mindful that such practices should reflect, and take into consideration, transparency, accountability, ethical culture, sustainability and financial performance.

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

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

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 and up to the date of this Statement. 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](http://www.harnlen.com.my)

### **PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS**

#### **I. BOARD RESPONSIBILITIES**

The Board of Directors, 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 the leadership necessary for the Group to meet its business objectives and strategic goals.

All members of the Board are aware of their responsibility to take decisions objectively in promoting the success of the Group for the benefits of shareholders and other stakeholders. The roles and responsibilities of the Board, which are summarized as follows, are clearly set out in the Board Charter, which is available on the Company’s website at [www.harnlen.com.my](http://www.harnlen.com.my):

- Reviewing and adopting a strategic plan for the Company and its subsidiaries to achieve the Group’s corporate goals;
- Overseeing the conduct of the Group’s business by reviewing the financial and other performance of the Group as well as Management;
- Identifying principal business risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- Overseeing the development and implementation of a shareholder communications policy for the Company; and
- Reviewing the adequacy and operating effectiveness of the Group’s internal control system.

The Board Charter is periodically reviewed and updated, with the most recent on 26 February 2018, in tandem with changes to regulatory requirements, with final approval by the Board.

To assist in the discharge of its stewardship role, the Board has delegated and conferred some of its authority and powers to its Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee (“Board Committees”). The Board Committees are entrusted with the responsibility to oversee specific aspects of the Company’s affairs in accordance with their respective terms of reference as approved by the Board and to report to the Board with 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)

The Deputy Executive Chairman, Puan Sri Datin Chan Pui Leorn, who is appointed to chair Board Meetings, is primarily responsible to lead the Board. Based on the Board Charter, the Chairman's responsibilities are summarised as:

- Leading the Board in its responsibilities for the business and affairs of the Company and its oversight of Management;
- Overseeing the Board in the effective discharge of its stewardship role;
- The efficient organization and conduct of the Board's function and meetings;
- Facilitating the effective contribution of all Directors;
- Briefing of all Directors in relation to issues arising at meeting;
- The promotion of constructive and respectful relations amongst Board members and between the Board and Management; and
- Ensuring periodic evaluation of the Board's performance.

In carrying out her role, the Chairman works with the Group Managing Director, manages the Board, and promotes effective relations with shareholders, other stakeholders and the public.

The role of 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 his fellow Executive Directors. The Board includes Independent Non-Executive Directors who are individuals of calibre, credibility and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. These Independent Non-Executive Directors are capable of exercising independent judgement to ensure fair and objective deliberations at Board meetings.

To enhance accountability, the Board has established clear functions reserved for itself and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance. Such delineation of roles is clearly set out in the Board Charter, which serves as a reference point for Board activities. Delegation of authorities have also been put in place to ensure balance between operational efficiency and control over corporate and financial governance.

The Company has in place a Code of Conduct and Ethics for its Directors and employees and it is available on the Company's website. The Board also has formalised in writing its Whistle Blowing Policies and Procedures for employees and other stakeholders to raise genuine concerns, without fear of reprisal, about possible improprieties on matters pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group. The Whistle Blowing Policies and Procedures document has been uploaded on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my).

The Board members have full access to the Company Secretaries, who are qualified under the Companies Act 2016 to provide advisory services to the Board, particularly on corporate governance issues and compliance with the relevant policies and procedures, laws and regulatory requirements, in addition to the administrative matters on meetings of the Board, Board Committees and shareholders.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

#### Continuous Professional Development

The Board encourages its members to enrol in appropriate continuing education programme to equip them to serve the interests of the Company. The Directors are updated on an ongoing basis by way of circulars on matters relating to changes to the Main Market Listing Requirements of Bursa Securities and briefing by the Company Secretaries at the Board Meeting, including their implications to the Directors.

All Directors have completed the Mandatory Accreditation Programme as required by the Main Market Listing Requirements of Bursa Securities. During the financial year under review, all the Directors have attended training conducted by the relevant regulatory authorities and professional bodies. Details of training attended by the Directors are:

No.	Name of training courses/sessions	Date of training	Attended by
1.	Sustainability Report Training	5.1.18	<ul style="list-style-type: none"> <li>• Low Quek Kiong</li> <li>• Low Kueck Shin</li> <li>• Low Kwek Lee</li> <li>• Low Kuek Kong</li> </ul>
2.	MCCG and Bursa Securities' Listing Requirements Towards Meaningful Disclosure	18.1.18	<ul style="list-style-type: none"> <li>• Loh Wann Yuan</li> </ul>
3.	Malaysian Code on Corporate Governance and Bursa Securities' Listing Requirements - Application, Disclosure and Reporting Expectations	11.4.18	<ul style="list-style-type: none"> <li>• Puan Sri Datin Chan Pui Leorn</li> <li>• Low Quek Kiong</li> <li>• Low Kueck Shin</li> <li>• Low Kwek Lee</li> <li>• Low Kuek Kong</li> <li>• Lee Chon Sing</li> <li>• Brig Jen (B) Dato' Ali Bin Haji Musa</li> <li>• Law Piang Woon</li> </ul>
4.	Compliance on Financial Reporting by Listed Issuers as mandated by the Main Market Listing Requirements of Bursa Securities	6.6.18	<ul style="list-style-type: none"> <li>• Puan Sri Datin Chan Pui Leorn</li> <li>• Low Quek Kiong</li> <li>• Low Kueck Shin</li> <li>• Low Kwek Lee</li> <li>• Low Kuek Kong</li> <li>• Lee Chon Sing</li> <li>• Loh Wann Yuan</li> <li>• Brig Jen (B) Dato' Ali Bin Haji Musa</li> <li>• Law Piang Woon</li> <li>• Low Kok Yong</li> <li>• Mohamed Akwal Bin Mohamad</li> <li>• Low Kok Yaow</li> </ul>
5.	Malaysian Financial Reporting Standards (MFRS) made simple for Directors and Senior Management	28.9.18	<ul style="list-style-type: none"> <li>• Low Kok Yaow</li> </ul>
6.	Introduction to MBRS	13.10.18	<ul style="list-style-type: none"> <li>• Law Piang Woon</li> </ul>

#### II. BOARD COMPOSITION

The Board currently consists of twelve (12) members, comprising eight (8) Executive Directors and four (4) Independent Non-Executive Directors. 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 Independent Non-Executive Directors provide the necessary checks and balances in the Board's deliberation by facilitating an independent evaluation of the Board's decisions and decision-making process.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

#### II. BOARD COMPOSITION (Cont'd)

The Executive Directors are complemented by the experience and independent views of the Independent Non-Executive Directors who are professionals in the fields of banking, public sector administration, finance, accounting, tax and legal. The Executive Board members possess a fair range of business and industry experience, administration and economics. The mix of skills and experience is synergistic and is vital in directing and supervising the Group's overall business activities in light of the increasing challenging economic and business environment in which the Group operates. The profile of each Director is set out on pages 15 to 20 of the Company's 2018 Annual Report.

The Nominating Committee ("NC") is entrusted to assess the adequacy and appropriateness of the 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 Independent Non-Executive Directors should bring to the Board. The Board has the ultimate responsibility of decision making on the appointment. This process ensures that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine the skill matrix to support the strategic direction and needs of the Company.

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 Group in terms of time and participation during the year under review, and recommended to the Board for the re-election of the retiring Directors at the Company's forthcoming Annual General Meeting ("AGM"). All assessments and evaluations carried by the NC in discharge of its functions were duly documented.

At the date of this Statement, the Board has three (3) Independent Non-Executive Directors, who have individually served for more than twelve (12) years as an Independent Non-Executive Director. The Board has assessed, via the Nominating Committee, their independence and, accordingly, recommended them for shareholders' approval to continue to serve as Independent Non-Executive Directors of the Company for the ensuing year. Apart from being satisfied that they fulfilled the criteria under the definition of Independent Non-Executive Director as stated in the Main Market Listing Requirements of Bursa Securities, the Board believes the following justifications are sufficient for it to recommend their extension as Independent Non-Executive Directors to be voted on a single tier basis as opposed to the 2-tier voting process promulgated by Practice 4.2 of the MCGG, at the forthcoming Annual General Meeting of the Company:

- They have demonstrated their commitment to the Company by attending almost 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
- They have exercised due care and diligence during their tenure as Independent Non-Executive Directors of the Company and carried out their duties professionally and objectively in the interest of the Company and shareholders.

The Nominating Committee has conducted an assessment on the independence of Independent Directors for the financial year 2018 based on the criteria on independence adopted by the Board. Following the recommendation of the Nominating Committee, the Board is of the opinion that the independence of the existing Independent Directors remain unimpaired and their judgement over business dealings of the Company were not influenced by the interest of the other Directors or substantial shareholders.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

#### II. BOARD COMPOSITION (Cont'd)

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

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

- Reviewed and assessed the independence of Independent Directors;
- Reviewed and recommended re-election of Directors who were due for re-appointment and retirement by rotation, including deliberation on Independent Non-Executive Directors whose tenure has individually exceeded 12 years and which would require their continuance as Independent Non-Executive Directors to be voted at the forthcoming Annual General Meeting;
- Assessed the effectiveness of the Board as a whole, the Board Committee and the contribution of each individual Director;
- Considered the training undertaken by the Directors; and
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members.

Mr Lee Chon Sing, the Executive Director, has no intention to seek for re-election at the 19th Annual General Meeting and hence, he will cease to act as a Director of the Company at the close of the said Annual General Meeting.

#### III. REMUNERATION

The Board has established a Remuneration Committee ("RC") comprising four (4) members, three (3) of whom are Independent Non-Executive Directors with the remaining one an Executive Director. The RC is entrusted by the Board to implement the policies and procedures on matters relating to the remuneration of the Board and making recommendations on the same to the Board for approval.

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 to align with business strategy and long-term objectives of the Company. The Executive Directors and Senior Management are paid salaries, allowance, bonus 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 Independent Directors comprises fees and other allowances. The Board ensures that the remuneration for Independent Non-Executive Directors do not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meetings.

The respective Directors are required to abstain from deliberation and voting on their own remuneration at Board Meetings.

Details of Directors' remuneration for the financial year ended 31 December 2018 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 provided under Practice 7.1 of the Corporate Governance Report, which is available on the Company's website at [www.harlen.com.my](http://www.harlen.com.my).



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

#### Meetings of the Board and Board Committees

During the financial year under review, the Board convened six (6) meetings whilst the Audit Committee, Nominating Committee and Remuneration Committee held seven (7), one (1) and two (2) 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
1.	Puan Sri Datin Chan Pui Leorn	6/6	NA	NA	NA
2.	Mr. Low Quek Kiong	6/6	NA	NA	NA
3.	Mr. Low Kueck Shin	6/6	NA	NA	NA
4.	Mr. Low Kwek Lee	6/6	NA	NA	NA
5.	Mr. Low Kuek Kong	6/6	NA	NA	NA
6.	Mr. Lee Chon Sing	6/6	NA	NA	2/2
7.	Mr. Low Kok Yong	6/6	NA	NA	NA
8.	Mr. Low Kok Yaow	6/6	NA	NA	NA
9.	Mr. Loh Wann Yuan	6/6	7/7	1/1	2/2
10.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	5/6	6/7	1/1	2/2
11.	Mr. Law Piang Woon	6/6	7/7	1/1	NA
12.	En. Mohamed Akwal bin Sultan Mohamad	5/6	6/7	1/1	2/2

NA – Not Applicable

The Chairmen of the Board Committees are:

- Audit Committee and Nominating Committee – Mr. Loh Wann Yuan; and
- Remuneration Committee - En. Mohamed Akwal bin Sultan Mohamad.

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. AUDIT COMMITTEE

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising four (4) members, all of whom are Independent Non-Executive Directors. The composition of the Audit Committee, including its roles and responsibilities as well as a summary of its activities carried out during the financial year under review, are set out in the Audit Committee Report on pages 58 to 60 of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 2016. Such financial statements comprise the quarterly financial reports and audited financial statements announced to Bursa.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, has adopted a policy for the types of non-audit services permitted to be provided by the external auditors and/or their affiliates.

The Audit Committee has formalized a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.





## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### **PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)**

#### **II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

The Audit Committee assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group. The Audit Committee does this via the deployment of an independent outsourced internal audit function that conducts internal audit based on an internal audit plan approved by the Audit Committee. Findings raised from internal audit are presented directly to the Audit Committee, including the remedial measures and action plans agreed by Management to address the matters so highlighted. For more details of the Internal Audit function, refer to the Statement on Risk Management and Internal Control which is included in the Company's 2018 Annual Report as well as the Corporate Governance Report that is made available on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my). The Board, via the Enterprise Risk Management Committee, is responsible to oversee the risk management framework and policies while 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.

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**

The Board recognizes the importance of being transparent and accountable to the Company's stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. As such, the Board consistently ensures the supply of clear, comprehensive and timely information to their stakeholders via various disclosures and announcements including quarterly and annual financial results which provides 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](http://www.harnlen.com.my) where shareholders and other stakeholders, including prospective investors and the public may access.

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 is the principal forum 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 18th AGM held on 27 June 2018, all the Directors (including the Chair of the Board Committees) were present in person to engage directly with and were accountable to the shareholders for their stewardship of the Company. During the AGM, shareholders participated in deliberating resolutions being proposed or on the Group's operations in general. The Directors and Senior Management appropriately responded to all questions raised and provided clarification as required by the shareholders.

This Corporate Governance Overview Statement was approved by the Board on 29 April 2019.



# SUSTAINABILITY STATEMENT

## ABOUT THIS REPORT

Harn Len Corporation Berhad (“Harn Len” or the “Company”) is proud to present our Sustainability Statement for the third consecutive year. At Harn Len, sustainability initiatives have constantly been integrated into the ways we conduct our business in achieving our short and long-term business goals and aspirations. This statement highlights the material economic, environmental and social (“EES”) performance across all our operational and management activities within the Company.

## REPORT SCOPE

This sustainability statement seeks to communicate our sustainability matters that are significant to the Company and our stakeholders. For this year of reporting, we selected six main estates/oil mills and our headquarters office to present our qualitative and quantitative operations data. Harn Len’s operations in Malaysia extend across the three main states of Pahang, Johor and Sarawak. All information disclosed in this report relates to the above estates/oil mills under the Company unless otherwise stated.

- *Lian Hup Estate*
- *Lian Hup Oil Mill*
- *Masranti Estate*
- *Masranti Oil Mill*
- *Senang Estate*
- *Harn Len Pelita Bengunan Estate*
- *Harn Len Corporation Bhd (Johor Bahru)*

## REPORT PERIOD

This statement covers the sustainability performance of the Company’s operations for the financial year ending 31 December 2018 (“FY2018”).

## REPORT GUIDELINES

This statement is presented in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The Sustainability Reporting Guide issued by Bursa Malaysia and the Global Reporting Initiatives (GRI) Standards as recommended by Bursa Malaysia served as reference in the preparation of this statement.

## Our Agricultural Business in Brief

Harn Len was incorporated in January 2000 with our core business focus on the agricultural sector. The Company’s principal agricultural activities include the operation of oil palm plantations and oil milling operations.

To date, Harn Len’s oil palm acreage spans approximately 17,083 hectares, with estates situated in Pahang and Sarawak. Our cultivated oil palm trees have an overall distribution of 61.24% prime (8-19 years old), 16.43% young (4-7 years old) and 22.33% immature (0-3 years old) palms.

The Company’s oil milling operations are carried out at two locations, Lian Hup Oil Mill in Pahang and Masranti Oil Mill in Sarawak, which process oil palm fresh fruit bunches (FFB) at 40 metric tonnes per hour and 60 metric tonnes per hour respectively.





## SUSTAINABILITY STATEMENT (Cont'd)

### SUSTAINABILITY STRATEGY

Harn Len believes it is essential to consider our stakeholders' best interests in implementing sustainable initiatives for our business operations. In our FY2017, we had included detailed long-term targets and rebranded the targets as the Company's sustainability initiatives. This year, in line with the growth of our agricultural practices, we have expanded our FY2017 sustainability strategies by aligning our sustainability initiatives with Sustainable Development Goals (SDGs).

#### UNSDGs

The 17 SDGs were introduced at the United Nations Conference on Sustainable Development in September 2015. The SDGs address critical areas of importance for sustainable development on a national and industrial scale.



At Harn Len, we firmly believe that integrating SDGs into our business operations will provide the foundation to manage key environmental, social and economic aspects in the long term.

The Company also strongly supports Malaysia's commitment to the SDGs and aspires to align our sustainability initiatives with strategic goals that are relevant to our business practices. In FY2018, we identified eight SDGs as priority areas which are significant to the business operations of the Company. These are what we have contributed:



## SUSTAINABILITY STATEMENT (Cont'd)



- Promoting rural development by establishing estates and mills
- Creating job opportunities and higher income sources for the local residents including indigenous people



- Producing high quality palm oil that is safe for consumption and accessible to the general public through local markets



- Maintaining good health and well-being of workers through creating a conducive and safe working environment for all



- Ensuring clean sources of water supply on plantation grounds for consumption of plantation workers



- Creating employment opportunities and contributing to Malaysia's annual palm oil revenue
- Ensuring healthy and safe working conditions at all operating units



- Using natural resources efficiently by recycling biomass waste
- Developing standards for sustainability across the life cycle of the oil palms via MSPO certification



- Establishing protected areas for riparian vegetation that are rich in biodiversity within our operating grounds



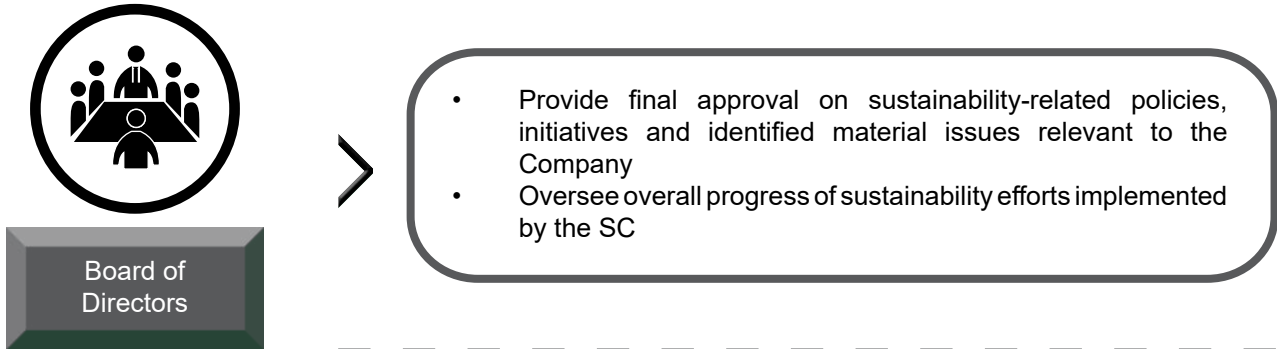
- Ensuring fair treatment and opportunities at the workplace
- Ensuring compliance with national rules and regulations
- Obtaining MSPO certification by 2019



## SUSTAINABILITY STATEMENT (Cont'd)

### SUSTAINABILITY GOVERNANCE STRUCTURE

The Company continuously strives to manage our business in a sustainable and responsible manner. In order to achieve this, we have established a sustainability governance structure as depicted below.













## SUSTAINABILITY STATEMENT (Cont'd)

### STAKEHOLDERS ENGAGEMENT TABLE

Managing our stakeholders' needs and expectations are essential to maintaining a sustainable business due to their significant influence on our business operations. Through constructive and continuous engagement, we are able to identify and understand our stakeholders' concerns and areas of interest to further enhance our business performance effectively.

Stakeholder	Topic Discussed	Mode of Engagement	Frequency
 Investors	<ul style="list-style-type: none"> <li>Sustainability and maximization of shareholder value</li> <li>Financial performance and business strategy</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Annual report</li> <li>Company website</li> </ul>	<ul style="list-style-type: none"> <li>Yearly</li> <li>Yearly</li> <li>As and when necessary</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>Performance management</li> <li>Learning and development</li> <li>Industrial harmony</li> <li>Equitable remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Circulation of internal memos</li> <li>Management meetings</li> <li>Performance appraisals</li> <li>Training and product knowledge</li> </ul>	<ul style="list-style-type: none"> <li>As and when necessary</li> <li>Weekly/ Quarterly</li> <li>Yearly</li> <li>As and when necessary</li> </ul>
 Customers	<ul style="list-style-type: none"> <li>Efficient complaints resolution</li> <li>Customer-company relationship management</li> <li>Safety and security</li> </ul>	<ul style="list-style-type: none"> <li>Regular client meetings</li> <li>Feedback sessions</li> <li>Community and networking events</li> </ul>	<ul style="list-style-type: none"> <li>Scheduled meeting</li> <li>As and when necessary</li> <li>Ad-hoc</li> </ul>
 Regulatory Agencies and Statutory Bodies	<ul style="list-style-type: none"> <li>Labour practices</li> <li>Occupational safety and health</li> <li>Environmental management and compliance</li> </ul>	<ul style="list-style-type: none"> <li>Inspection by local authorities</li> <li>General meetings between managers and local regulators</li> <li>Direct meetings and audits</li> </ul>	<ul style="list-style-type: none"> <li>Yearly/As required</li> <li>As and when necessary</li> <li>Scheduled meeting</li> </ul>
 Suppliers	<ul style="list-style-type: none"> <li>Transparent procurement practices</li> <li>Service and delivery</li> <li>Fair contract terms</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation and performance reviews</li> <li>Vendor registration</li> <li>Fair contract negotiations</li> </ul>	<ul style="list-style-type: none"> <li>Yearly</li> <li>As required</li> <li>Always</li> </ul>
 Local Communities	<ul style="list-style-type: none"> <li>Social issues</li> <li>Transparency and accountability to the communities</li> <li>Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Festival season celebrations and events with local communities</li> <li>CSR activities</li> <li>Community engagement</li> </ul>	<ul style="list-style-type: none"> <li>Per event</li> <li>Per event</li> <li>Always</li> </ul>

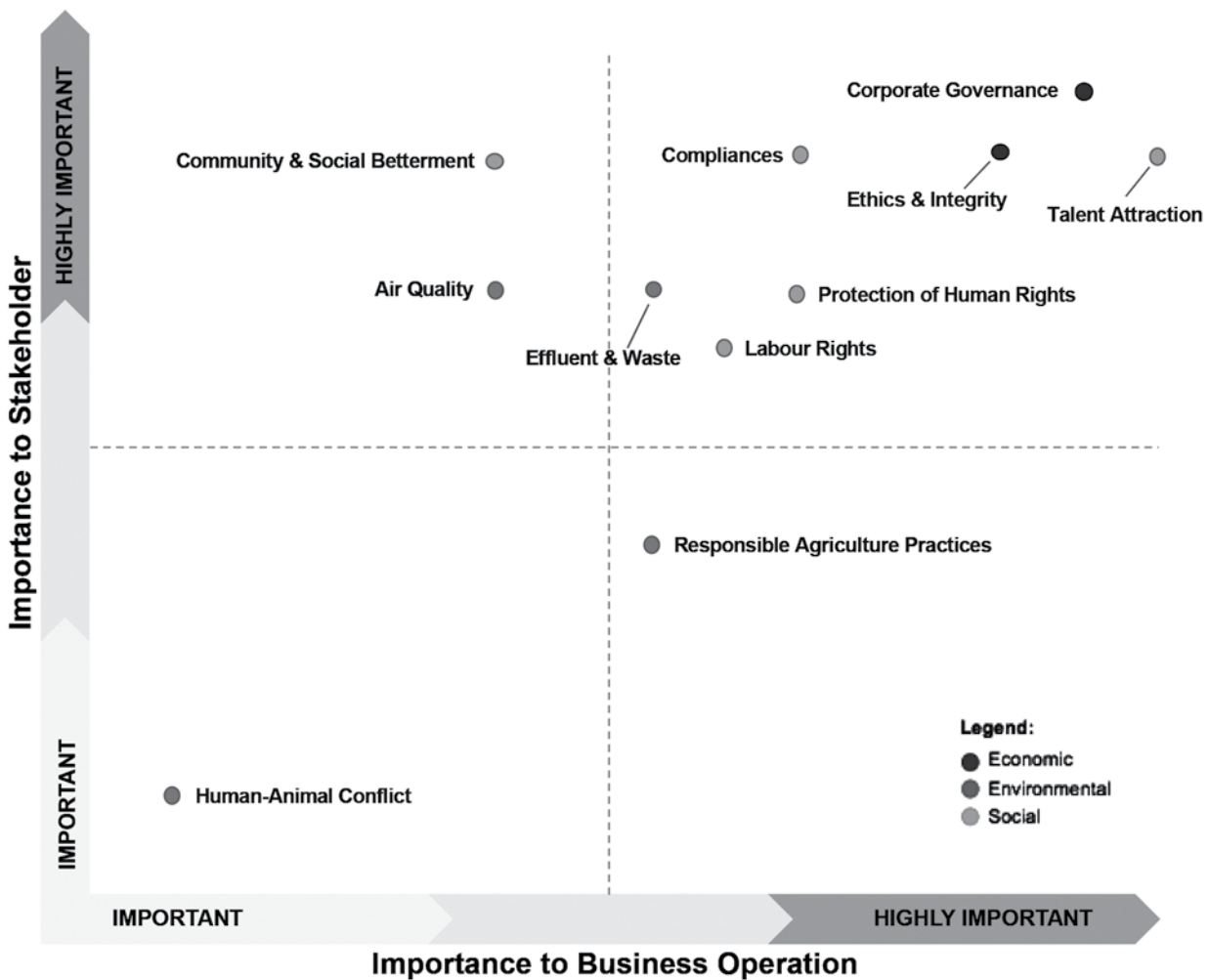


## SUSTAINABILITY STATEMENT (Cont'd)

### MATERIALITY MATRIX















This statement addresses key sustainability matters that have been identified after taking into consideration both the Company's views on significant EES risks and the views of our stakeholders on material sustainability matters related to the Company.

We considered the responses from the engagement with both internal and external stakeholders, and performed a thorough assessment of key sustainability aspects and impacts which represent the important areas of the Company's business and operations.





## SUSTAINABILITY STATEMENT (Cont'd)

	Material Sustainability Issues	Corresponding GRI Aspects	Stakeholder(s) Interest	Relevant SDG(s)
<b>ECONOMICS</b>	<b>Corporate Governance</b>	GRI General Standard Disclosure	Employees and Investors	
	<b>Ethics &amp; Integrity</b>	GRI General Standard Disclosure	Employees, Investors and Customers	
<b>ENVIRONMENTAL</b>	<b>Air Quality</b>	Emission	Local Communities and Regulatory Agencies	
	<b>Effluent &amp; Waste</b>	Effluent and Waste	Local Communities, Investors and Regulatory Agencies	
	<b>Responsible Agriculture Practice</b>	Compliance	Local Communities, Investors and Customers	
	<b>Human-Animal Conflict</b>	Biodiversity	Local Communities, Investors and Regulatory Agencies	
<b>SOCIAL</b>	<b>Community &amp; Social Betterment</b>	Local Communities	Local Communities	 
	<b>Labour Right</b>	Child Labour and Forced or Compulsory Labour	Employees and Regulatory Agencies	 
	<b>Protection of Human Rights</b>	Indigenous Rights	Local Communities, Employees and Regulatory Agencies	 
	<b>Compliance</b>	Compliance	Regulatory Agencies, Customers and Investors	
	<b>Talent Attraction</b>	Diversity and Opportunity	Employees, Regulatory Agencies, Supplier and Contractor	



## SUSTAINABILITY STATEMENT (Cont'd)

### SUSTAINABLE ECONOMY

Year-on-year, the palm oil industry has continued to contribute to the development and expansion of Malaysia's economy. As both international and national demand for palm oil continues to grow, the Company aims to facilitate this growth by establishing measures that would both promote and ensure sustainable and healthy growth of the organisation and continue to uplift the local economy.

#### PROMOTING ECONOMIC GROWTH

Several initiatives are in place to promote sustainable palm oil yield while ensuring environmental protection. Efforts to maintain continuous palm oil supply are met with challenges, both natural and man-made, that may affect our overall production. To control this, we analyse the current climate of the palm oil market and apply measures that enable us to be resilient in this volatile market.

##### o Economic Challenges Due to Climate Change

The monsoon season that occurs between November to March often results in flooding on our estate grounds. Flooding and heavy rain causes the river level to rise which may lead to the rise of water table. High water table is not conducive to good palm growth and palm FFB yields, and facilitates soil erosion.

The standard requirement for successful palm oil yield is to maintain the water table at a certain level by construction of drains. At peat soil area, water level is maintained at an optimum level with the aid of weirs or flood gates and several other measures as listed in the illustration below.

#### MAINTAINING GOOD OIL PALM CULTIVATION



Drain desilting to control water levels in low lying estate grounds that are prone to flood or high water tables

Regular frond pruning to facilitate free access of FFB harvesting and maintain at least six whorls of frond to ensure enough leave area for the process of photosynthesis

Proper weed management to preserve good soil and water conservation

Implement nutrient balanced fertiliser as recommended by agronomist

### ENSURING FAIR SUPPLY CHAIN PRACTICES

All our suppliers are locals, both for Peninsular and East Malaysia. Services we procure from our local suppliers include maintenance, office supplies as well as chemical supplies for estate and mill operations.

#### TYPES OF SUPPLIER SERVICES

- Paper printing
- Diesel supply
- Maintenance and repair services for mill equipment (genset, steam turbine, etc.)
- Lubricant and grease supply
- Weighbridge servicing
- Machinery spare parts
- Office stationery
- Raw water and boiler water treatment chemicals
- Estates upkeep
- Harvester
- Planting services
- Manuring activities for soil enhancement
- FFB





## SUSTAINABILITY STATEMENT (Cont'd)

### o Sustainable Palm Oil Certification

This year, we embarked on the initiative to achieve sustainable palm oil certification from the Malaysian Sustainable Palm Oil (MSPO) organisation. The certification requires stringent monitoring measures and palm management practices that ensure sustainable palm oil production and transparency to our stakeholders.

### IMPROVING LOCAL LIVELIHOOD

Our investment to uplift the livelihood of our local community and estate workers include the maintenance and establishment of several infrastructure that promotes accessibility and improves living conditions.

For our estate workers, we provide transportation services for their children to school. Our workers are also given free transport service to clinics in the event of any illnesses or incidents. Additionally, we build roads to promote accessibility to neighbouring plantations. This includes roads for smallholders that lead to their pepper and rubber plantations through our estate grounds, reducing their overall travelling time. Year-on-year, we allocate a specific budget to maintain the services we provide and to contribute for the betterment of the local livelihood.

### SAFE AND HEALTHY WORKPLACE

Occupational Safety and Health (OSH) is a key pillar to sustainable development. We recognise the importance of maintaining employee health and safety conditions at the HQ office and plantation operations to meet both stakeholders' expectations and create a safe working space. Our efforts and initiatives include the formulation of our OSH Policy and the OSH Committee to monitor and manage our health and safety performance.

### MAINTAINING OCCUPATIONAL SAFETY AND HEALTH

In emphasising our commitment to protecting the well-being of our employees, we formulated an OSH Policy that is applicable to Company-wide operations. The five principles in Harn Len's OSH Policy are listed below.

#### FIVE PILLARS OF OUR OSH POLICY



Both employers and employees will always abide by the rules and regulations in accordance with the Occupational Safety and Health Act 1994



Employers will provide adequate training and education on safety for employees

Employees are required to comply with safety standards and regulations when performing their duties



Both employers and employees are jointly responsible for providing a safe and healthy workplace. Employers will always improve safety at the workplace from time to time

The launch and implementation of scheduled training on Occupational Safety and Health approved by the Occupational Safety and Health Committee

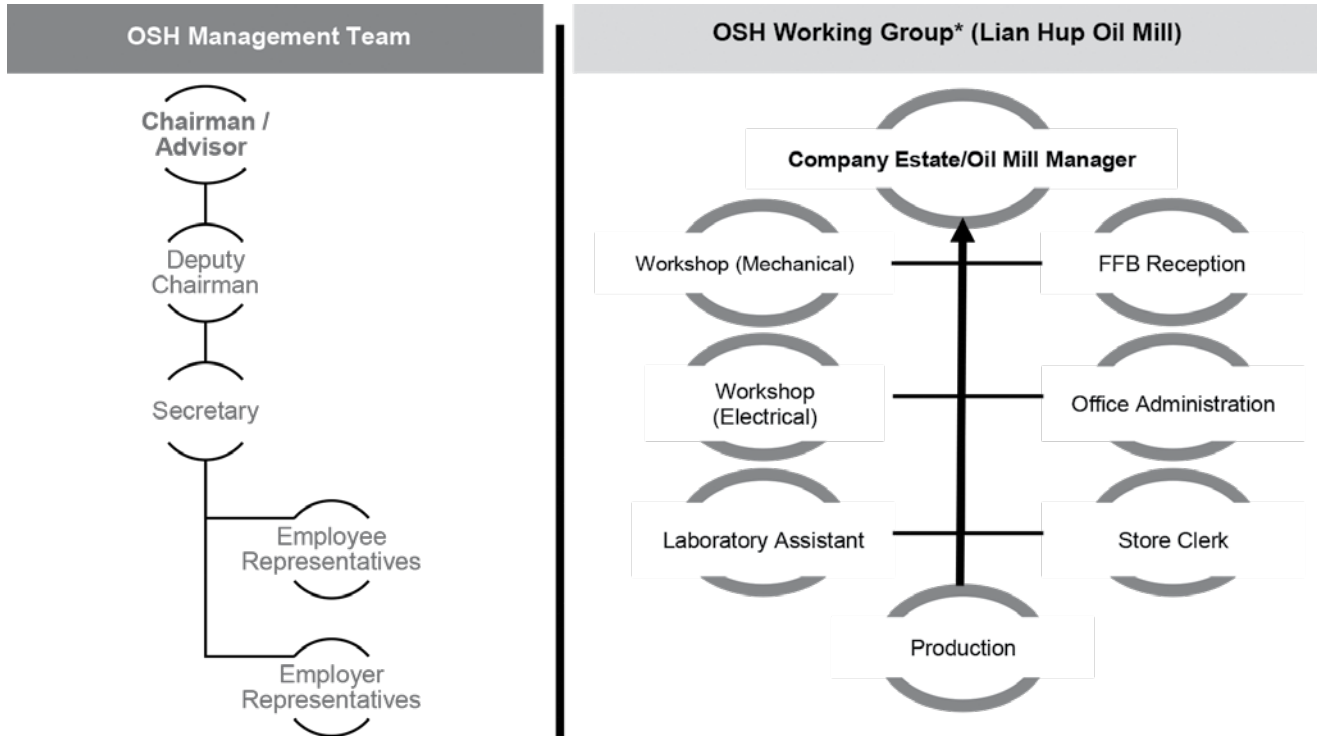
To sustainably manage our safety and health performance, the Company has established an OSH Management Team led by a Chairman, and assisted by a Deputy Chairman who will be supported by representatives from the employer and employee working group. At the operational level, each estate and mill is governed by an OSH Working Group led by an Estate/Oil Mill Manager. The managers will be supported by representatives from each working unit at the operating site.



## SUSTAINABILITY STATEMENT (Cont'd)

### o Our OSH Team

The illustration presents our OSH Management Team and an example of our OSH Working Group Team from Lian Hup Oil Mill.



\* Examples of working units of the OSH Working Group at our estates include harvesting, manuring, maintenance, machinery, workshop and security. Each working unit includes three committee members.

The number of committee members varies by operating unit as presented in the table below.

Operating Unit	Number of Working Group Members
Lian Hup Oil Mill	11
Masranti Oil Mill	20
Senang Estate	15
Lian Hup Estate	12

All the OSH Committees convene on a quarterly basis to discuss our safety performance and recurring challenges, such as outcomes of workplace safety audits and the availability and maintenance of personal protective equipment (PPE), as well as to formulate initiatives for improving current safety and health conditions. The roles and responsibilities of the OSH Committee at the Company and operating unit levels include:

1. Take on the responsibility to train and educate their staff to comply with OSHA requirements.
2. Foster cooperation and consultation between management and employees in identifying, evaluating and controlling the dangers at work.
3. Accommodate effective communication channels for exchanging ideas to solve occupational safety and health problems.
4. Encourage interest and motivation regarding safety and health for all workers and management at the workplace.



## SUSTAINABILITY STATEMENT (Cont'd)

### o Providing OSH Training

Our take on improving safety and health is by investing in training and awareness for our employees and plantation workers. This year, our employees and workers participated in the list of training programmes tabulated below.

OSH-Related Training Programmes	
Latihan Pertolongan Cemas (PBSM Serian) at Masranti Plantation	Internal SOP training based on job matrix
Safety training for harvesting, spraying and pruning	Safety training on rat-baiting and termite control
Safety training for loose fruit collector	Fire extinguisher handling training
General training on PPE	First aider training
Safety briefing and SOP for WFB harvesting	Briefing on environmental preservation
Safety briefing for machinery and tractor drivers	

In the event of an emergency on our plantation grounds, we remain vigilant by displaying emergency contact numbers at visible areas within our facilities and providing a handbook on handling emergency incidents. Safety signage and instructions for work processes in our mills and estates are positioned at accessible locations with high visibility.

Further, we ensure that our PPE are well-maintained and regularly inspected to replace older equipment if necessary. Below are other existing measures in place at our oil mills to maintain a safe working environment.

- 'Safety Policy at the Workplace' is displayed at the main office and laboratories.
- Safety and Health Committee for each facility has been established.
- Hazard Identification, Risk Assessment and Risk Control (HIRARC) are conducted based on the guidelines provided by the Department of Occupational Safety and Health (DOSH) Malaysia.
- 'Safety Operation Rules' is established for workshops, repairing tasks, electrical installations, mill operation tasks for each working unit and usage of PPE during work.
- Fire extinguishers and hose reels are stationed all over the mill and supporting facilities.
- First-Aid Kits are stationed in laboratories and the main office.
- Emergency Response Plan has been included in 'Safety Operation Rules' for Fire and Explosion incidents.

This year, the Company is pleased to announce that we achieved zero cases of major and minor injuries, fatalities and loss hours. Thus, this marks our fourth year in achieving the "Accident Free Year" record.

### o Hazardous Chemical Management

We recognise the risk in handling and performing tasks involving chemicals that may adversely affect our workers' health. To address this risk, the Company maintains strict compliance with chemical handling regulations outlined by the Department of Occupational Safety and Health (DOSH) Malaysia in conducting chemical health risk assessments (CHRA) at operating units that utilise hazardous chemicals as part of its operations.

The table below lists the CHRA assessments conducted every five years to identify, evaluate and control any potential chemical health risks that may impact five working units, which are the laboratory assistants, water pump attendants, kernel plant operators, workshop foremen and electrical wiremen.

Estate	CHRA Date
Lian Hup Estate	17 March 2018
Masranti Estate	24 April 2018
Senang Estate	6 November 2015
Harn Len Pelita Bengunan Estate	23 April 2018



## SUSTAINABILITY STATEMENT (Cont'd)

Our operating units were assessed by DOSH officers based on the following parameters.

- *Types of hazardous chemicals that workers are exposed to*
- *Task involved in exposure*
- *Frequency of task/exposure*
- *Routes of entry to exposure (eyes, skin, respiratory system, digestive system)*
- *Existing controls (safety glasses, natural ventilation, nitrile gloves, etc.)*
- *Suitability and effectiveness of controls*
- *Existing maintenance, testing and examination of controls*
- *Adequacy of control maintenance, testing and examination*
- *Degree of chemical release*
- *Degree of chemical contact (including touch and inhalation)*

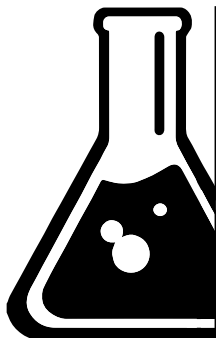
Based on these parameters, DOSH will classify a hazard and risk rating for each type of chemical exposure and recommend management and mitigation measures to achieve minimal risks and zero hazards at the workplace. Several successful initiatives undertaken by the Company that were deemed effective in preventing chemical-related accidents are listed below.

### Chemical Safety Initiatives by the Company

Chemicals used in the workshop and water pumping units are not toxic.
All chemicals used are stored in the chemical storage room.
Oil mill and workshop are all non-enclosed buildings with natural ventilation control. Chemical stores and water treatment plants are in enclosed buildings which are equipped with exhaust fans and kept under lock and key.
Chemical hazard warning signage is displayed at the chemical store entrance and on the wall of the store room together with the Material Safety Data Sheet (MSDS) for each chemical that are in store.
Proper safety gear must be worn by anyone who enters the chemical store.

Workers may be vulnerable to chemical spillage or splashing during handling, to diesel and welding fumes or to ingestion exposures from eating or smoking in the workshop. These risks are conveyed to the workers so that they will stay safe, remain cautious and take responsibility for their own safety and health as well as the safety and health of other people in the workplace.

Our workers are provided with a list of chemicals that are deemed hazardous and which include information describing the nature of the chemicals, its ingredients and its hazard classification (toxic, harmful, non-harmful) to ensure that they remain vigilant to the safety requirements they are expected to adhere to. Examples of chemicals we utilise for agricultural purposes are presented in the following illustration.



#### Examples of Chemicals Used at Our Mills

- Iodine indicator
- Ethylenedinitrilotetraacetic Acid Disodium Salt Dehydrate (EDTA)
- Aluminium Sulfate
- Acetylene

#### Examples of Chemicals Used at Our Estates

- Glyphosate IPA
- DIURON + MSMA
- Anfuram 3G
- Spp.Furadan 3G



## SUSTAINABILITY STATEMENT (Cont'd)

### FIRE SAFETY PRACTICES

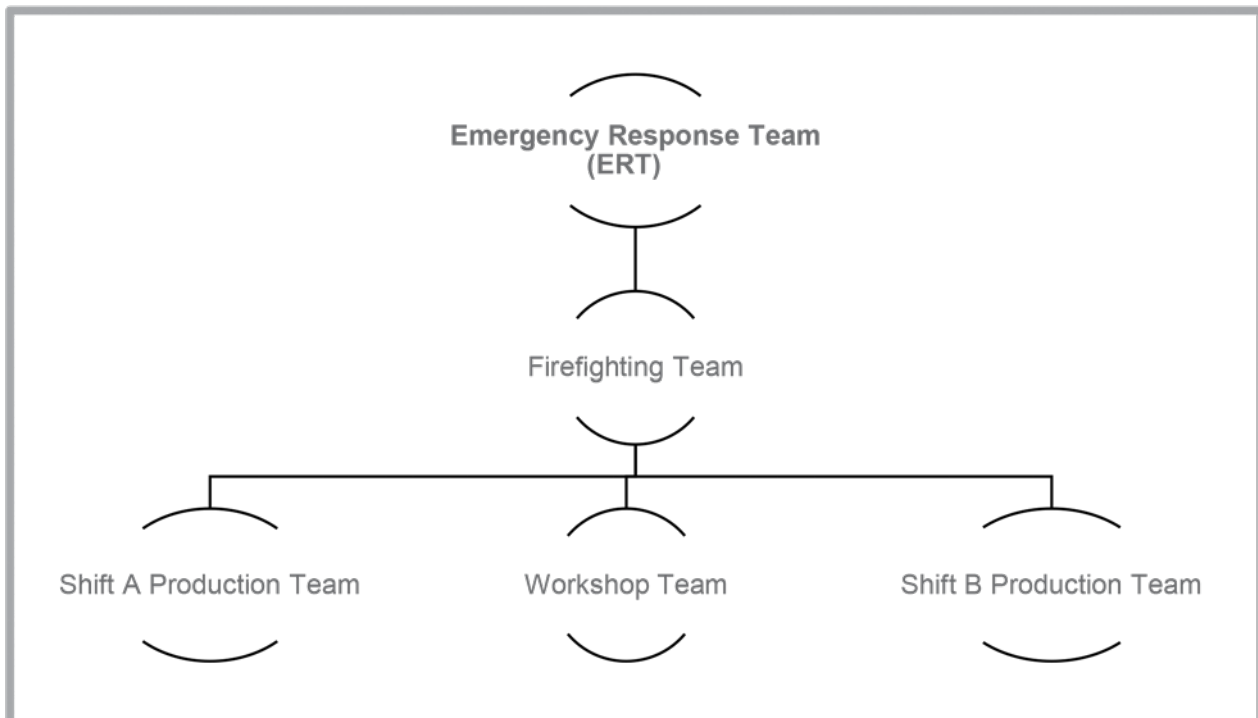
In FY2018, we are pleased to note that we recorded zero significant fire incidents in all our oil mills, plantation estates and corporate office. Our performance excellence in fire safety is achieved by regular emergency evacuation drills, internal firefighting training and firefighting training with the local fire department (BOMBA). Firefighting training sessions were conducted at least once a year at each plantation's mills and estates, and an emergency response plan and procedure manual is available in all estate buildings including the employee complex and workers' quarters.

Future fire prevention initiatives include a plan to engage with an experienced authority from the Sri Aman BOMBA division regarding the standard operating procedure for diesel skid tank installation at Harn Len Pelita Bengunan Estate. We also aim to form a Firefighting Equipment Internal Checker committee comprising three workers at the Masranti Palm Oil Mill.

#### o Emergency Response Team

At Harn Len, we have also established an Emergency Response Team (ERT) to support our OSH Committee in the event of an emergency, such as natural disasters or unexpected interruptions to our daily business operations.

One of the initiatives undertaken by the ERT is conducting briefings and demonstration sessions on the proper handling of fire extinguishers to our plantation workers. With training received from BOMBA, our ERT is capable of responding to emergency fire-related incidents through the implementation of an emergency response plan and establishing a clear assembly point during evacuations. The chart below illustrates the organisation structure of our ERT.







## SUSTAINABILITY STATEMENT (Cont'd)

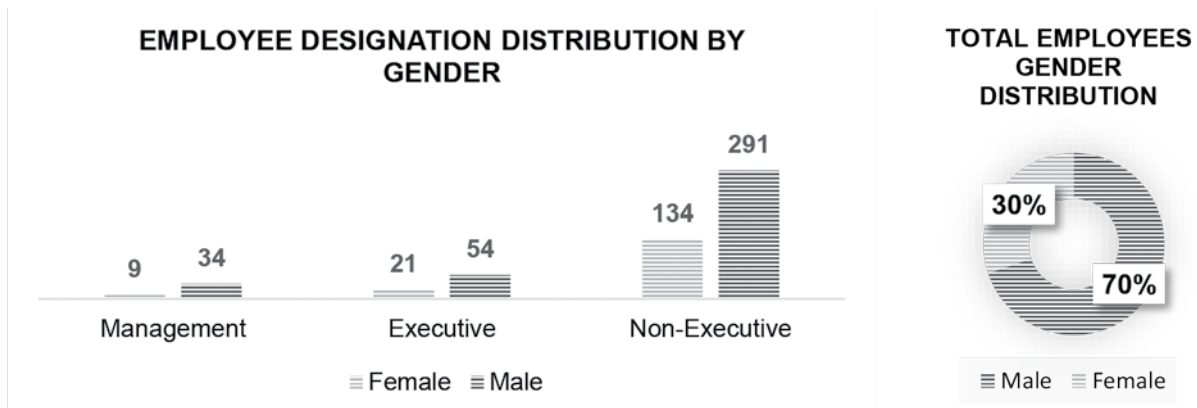
### OUR EMPLOYEES

Harn Len remains steadfast in our commitment to invest in our employees. Our philosophy is to maintain business excellence by strengthening organisational capability via talent development and guaranteeing a workplace conducive to growth.

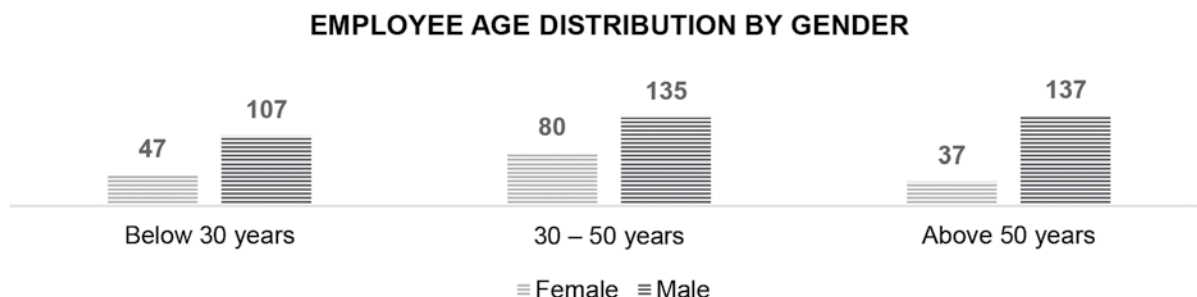
### OUR EMPLOYEE DISTRIBUTION

The Company promotes diversity, inclusivity and equality amongst all genders and races to foster better employee engagement. We continue our journey to encourage female participation in our workforce by providing fair and equal opportunities for our female employees to advance in career levels based on their performance and skill set. Collectively, our workforce has grown to a total of 543 employees and workers in 2018.

The number of employees by gender for each employment level and total employees by gender are as presented below.



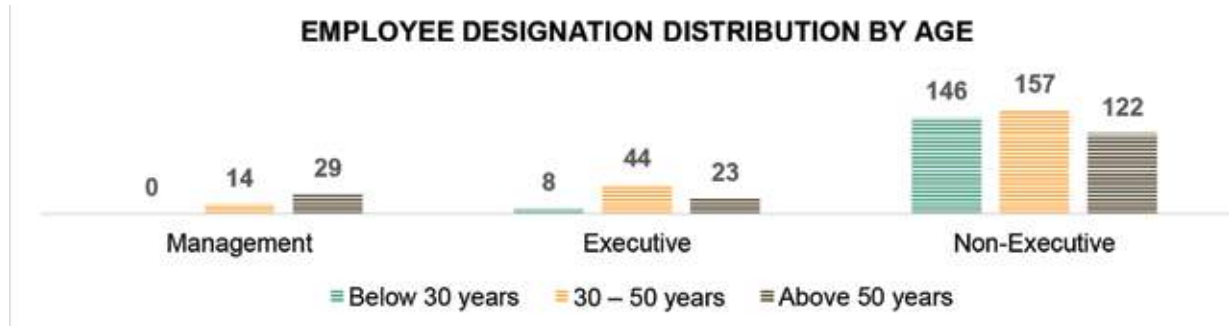
At Harn Len, we have a fairly proportionate number of employees with regard to age distribution. We value the vigour, strength and determination of our young employees and appreciate the experienced and cultured senior employees who have had more years of experience in the industry. Employment opportunities are always provided for loyal, skilled, credible, innovative and hardworking individuals to excel in the plantation industry with the Company.



Our Management team comprises employees aged 30 years and above who have garnered years of experience in the industry. The age distribution for non-executive positions is generally spread across all three age groups while our executives are mostly within the 30 to 50 years old age range.



## SUSTAINABILITY STATEMENT (Cont'd)



### o Maintaining Employee Retention

This year, the total employee turnover rate is low at 8.19% whereas new recruitments amount to 75 talents. Employee retention is identified as a critical factor in determining the success of continuous sustainable practices. Therefore, Harn Len will endeavour to maintain a low rate of employee turnover for the coming years.

	Below 30 Years		Between 30 to 50 Years		Above 50 Years	
	Male	Female	Male	Female	Male	Female
Employee Turnover Rate	2.67%	1.43%	1.96%	0.53%	1.07%	0.53%
New Employee Hires	31	10	15	9	8	2

### PROVIDING ADEQUATE TRAINING

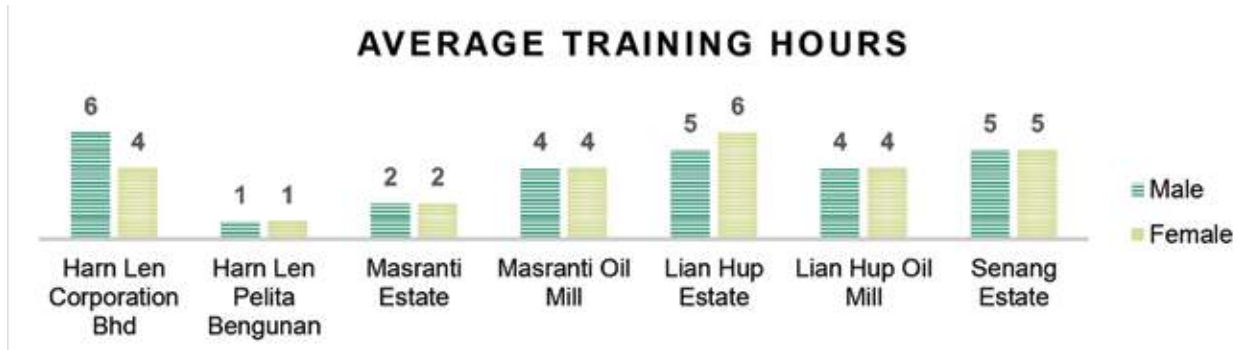
It is imperative that we continue to improve the performance of our workers. Every year, we will require our employees to attend training programmes relevant to their job matrix. Below is the list of training attended by our employees for 2018.

Employee Training Programmes
2018 Capital Allowances Study Workshop
Abolition of GST in Malaysia
Compliance on Financial Reporting
Introduction to MBRS
Malaysian Financial Reporting Standard (MFRS 141) – Agriculture
Mesyuarat Ladang 2018 Peringkat Negeri Pahang di Kuantan
MPOCC – Wilmar MSPO Workshop Programme
MSPO Training
Risk and Opportunities; Balance Sheet Review and Reconciliation
Sales and Service Tax Seminar
Sustainability Workshop
The Return of Sales and Service Tax (SST) in Malaysia
Workplace First Aid and CPR
Other internal training by job matrix



## SUSTAINABILITY STATEMENT (Cont'd)

Employees and workers at each plantation estate and oil mill are provided training based on our planned training matrix. Each employee is awarded a fixed duration to receive training regardless of gender preferences. Training programmes are necessary to ensure that we continue to develop the skill sets of our employees that can meet consumer demands and evolving industrial practices.



### BENEFITS FOR OUR EMPLOYEES

We believe in rewarding our employees for a job well done. In addition to competitive compensation schemes, employee benefits include allowances and medical insurance as presented in the illustration below.



#### Healthcare

Group personal accident insurance



#### Allowances

Transportation, education for those with children, travel, training, housing, telephone, food and shirt work

For our operations in Sarawak, indigenous employees can enjoy the benefits as stipulated by the Sarawak Labour Ordinance (SLO) which covers employees servicing on a contract and whose monthly wages do not exceed RM2,500.

### PROTECTING HUMAN RIGHTS

At Harn Len, we cherish the land in which we operate. Our productive yield and healthy crops are the result of the nutritiously rich soil and clean water preserved by the locals in the area. We show our gratitude by opening opportunities to the indigenous people for managerial roles and other positions within our organisation.

#### o Creating Employment Opportunities

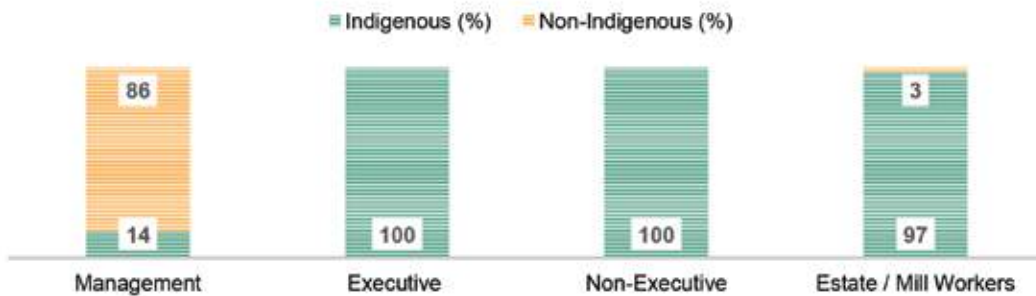
The graphs below describe the ethnicity distribution<sup>1</sup> for Harn Len Pelita Bungan Estate and Masranti Estate. Fair and equal employment opportunity is provided for all our employees based on their qualifications, skill sets and experience in the industry. Most of the employees at the executive, non-executive and estate/mill workers are indigenous to eastern Malaysia while our management employees are mainly non-indigenous.

<sup>1</sup> Indicates the natives and non-natives of Sarawak at Harn Len Pelita Bungan Estate and Masranti Estate. Estates outside of Sarawak are not included.

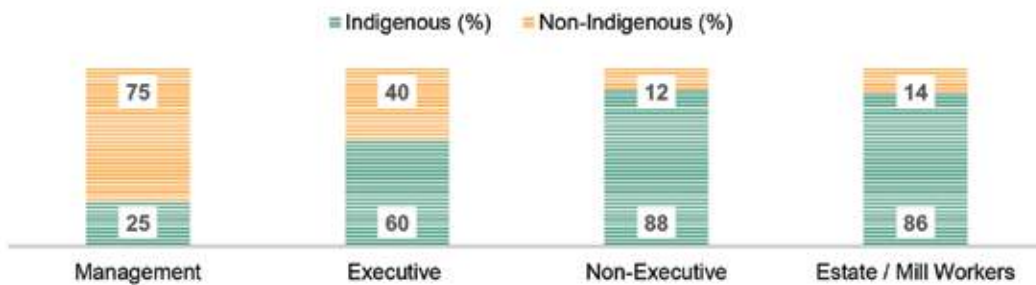


## SUSTAINABILITY STATEMENT (Cont'd)

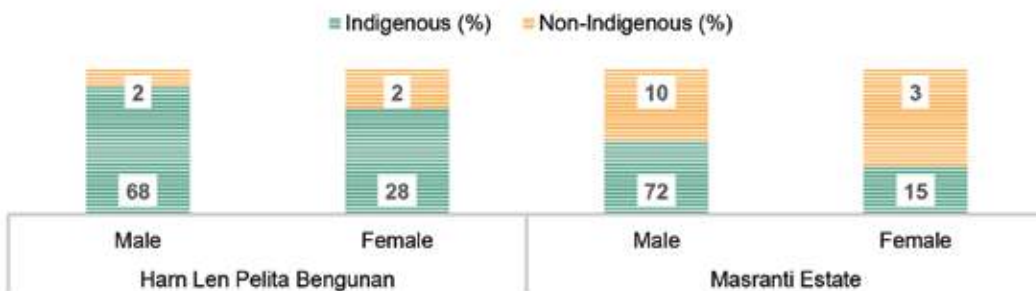
**EMPLOYEE ETHNICITY AT HARN LEN PELITA BENGUNAN ESTATE**



**EMPLOYEE ETHNICITY AT MASRANTI ESTATE**



**EMPLOYEE DISTRIBUTION BY ETHNICITY AND GENDER**



### o Resolving Grievances

We address the protection of labour rights through several channels. For example, workers can directly report to their supervisors or bring up a concern or complaint during the daily toolbox meeting. Supervisors and mandors will then bring the issue raised during the daily toolbox meeting to the management's attention for further action. Workers or employees who feel that they have been short-changed in any way can also correspond via SMS. However, no action will be taken on complaints that are anonymous.

We received one employee complaint at our corporate office via in-person reporting and another grievance was reported at Senang Estate via the employee memo found in the complaint box. Both cases have been successfully addressed and resolved by our management.



## SUSTAINABILITY STATEMENT (Cont'd)

The following reporting mechanism is applied across the Company with regard to employee's complaint or grievance.

### Step 1

Discuss the employee's grievance with the employee's immediate superior within three (3) working days after the incident. This is to facilitate complete and proper fact-gathering and to ensure that action is taken promptly. If the employee is not satisfied, take the employee's grievance to the next supervisory level if one exists in the employee's department.

### Step 2

If the employee grievance is not resolved in Step One, submit the employee's grievance in writing to the HR Manager within three (3) days after Step One.

### Step 3

If within five (5) days no solution is reached by the HR Manager, the employee and the HR Manager shall together resolve the matter with the General Manager. Any decision at this level shall be final and binding.

### o Regulatory Compliance with Labour Laws

All workers' rights are protected under the Sarawak Labour Ordinance, some of which include:

1. The wages of an employee shall be paid not later than seven days after the expiration of the wage period in respect of which they are due.
2. An employee shall not be required under his contract of service to work:
  - a) More than five consecutive hours without a period of leisure of not less than thirty minutes duration;
  - b) More than eight hours in one day;
  - c) In excess of a spread-over period of ten hours in one day;
  - d) More than forty-eight hours in one week
3. Every female employee shall be entitled to maternity leave for a period of not less than sixty consecutive days.

We also adhere to the Employment Act 1955 and the Workers' Minimum Standards of Housing and Amenities Act 1990, as well as comply with the minimum wage legislation for East and West Malaysia.

## SUSTAINABLE ENVIRONMENT

Harn Len considers environmental protection as a priority in all that we do. Through robust governance mechanisms that include compliance with MSPO, we maintain our commitment by strictly adhering to national regulatory requirements in areas where we operate, while keeping abreast of best practices within the palm oil industry.

### RESPONSIBLE AGROCHEMICAL USE

Our suppliers are required to provide us with updated Chemical Safety Data Sheets with the accompanying chemicals we utilise at our estates, in accordance with national chemical handling regulations. We further support our commitment to protecting the health and safety of our employees by conducting internal training exercises related to chemical handling and awareness, during which we ensure that our workers are knowledgeable about the types of PPE required to handle hazardous chemicals.





## SUSTAINABILITY STATEMENT (Cont'd)

Through regular worksite inspections, we determine that all our safety data sheets and chemical labelling comply with regulatory requirements as outlined by the Environmental Quality (Scheduled Wastes) Regulations 2005. Storage and disposal practices of these hazardous chemicals are also in line with the aforementioned regulatory requirements via the exemplary practices listed below.



### PPE for Chemical Handling

- Spraying mask
- Rubber gloves
- Protective apron
- Safety shoes

### Chemical Storage Requirements

- Covered storage area
- Bund walls surrounding storage tanks
- Covered barrels or containers that do not corrode

### o Managing Chemical Spills

For this financial year, we are pleased to note that we have not had any significant chemical spills which have resulted in severe environmental pollution. We keep our spraying activities at a minimum, avoiding the method of blanket spraying which contributes to waterway pollution. Further, riparian reserves that border our estate grounds are clearly demarcated and operations such as spraying and manuring are strictly kept at a minimum to avoid detrimental impact to the forest vegetation.

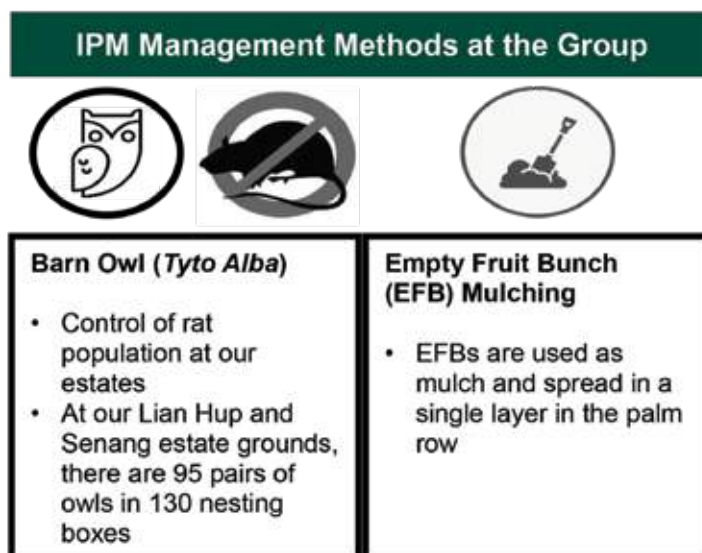
### o Paraquat Usage

We strictly ban the use of paraquat in all our spray mixtures, a marked improvement from our FY2017 performance where small volumes of paraquat were used in cases of uncontrolled weed invasion.

## APPLYING INTEGRATED PEST MANAGEMENT

As the demand for palm oil intensifies through rising global industrialisation and food production, challenges related to the maintenance of sustainable palm oil yield increases proportionately with the expansion of agricultural land and the struggle to control pests over a large spatial distribution of the estates.

The integrated pest management (IPM) approach implemented at the Company provides an alternative method to pesticide use on our estate grounds. We are aware of the negative impacts to the environment due to prolonged pesticide use which includes pest resilience and reduction in soil fertility. The illustration below presents the types of IPM methods we employ on our operating sites.



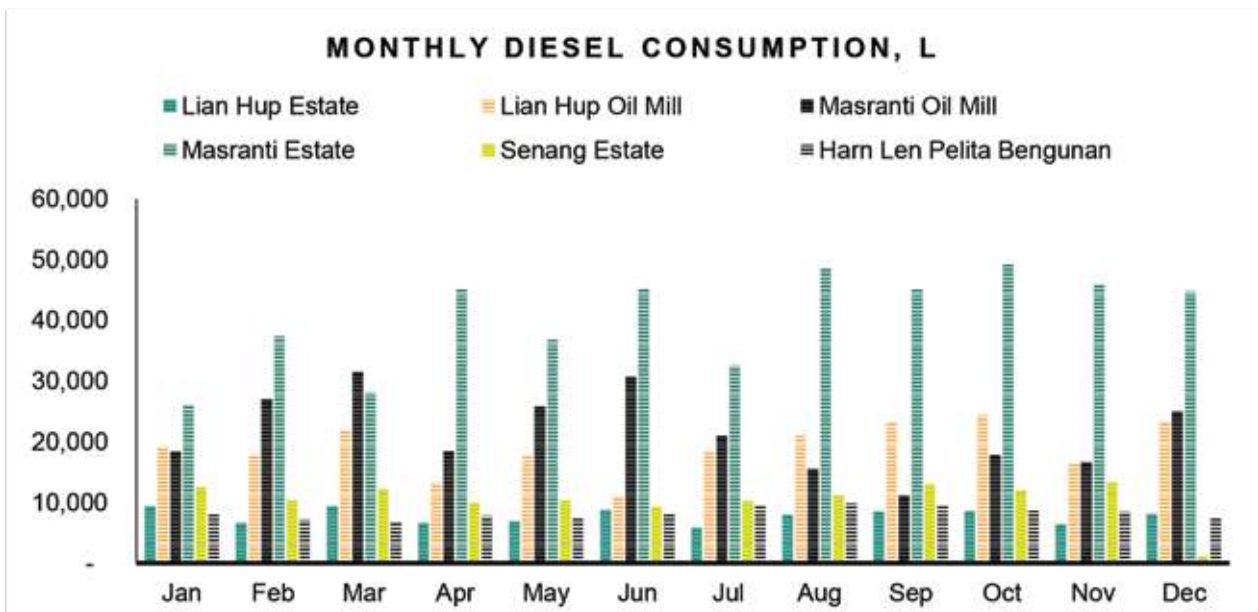
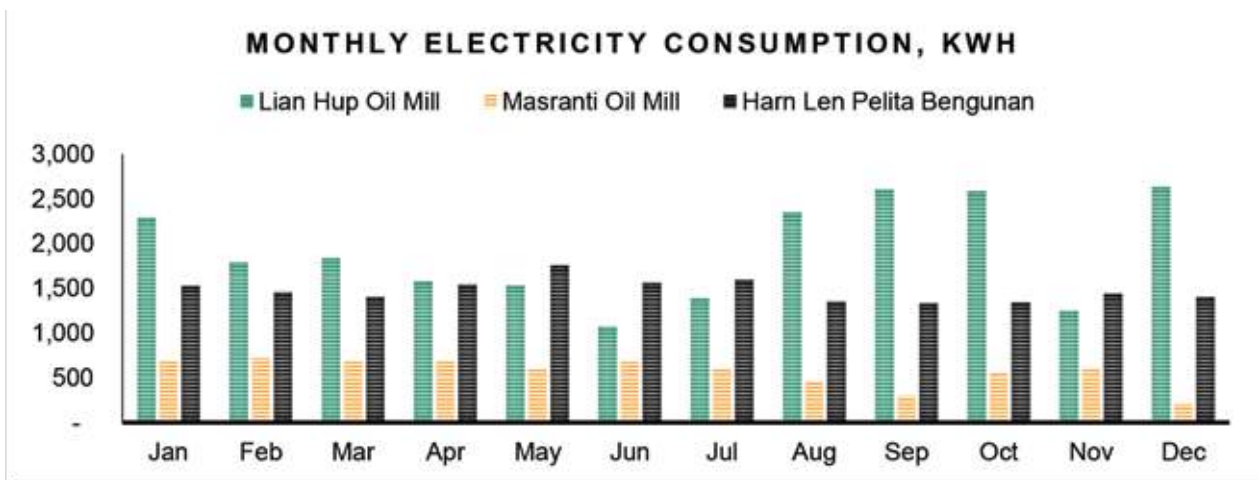


## SUSTAINABILITY STATEMENT (Cont'd)

### MONITORING ENERGY CONSUMPTION

We expand our disclosure of the Company's environmental performance in FY2017 by introducing baseline electricity and diesel records at both of our mills and across several estates. By establishing a systematic record-keeping practice for our energy performance, year-on-year, we can begin to monitor our consumption trend and identify measures that would contribute to saving and reducing energy at our operating sites.

The graphs below present our electricity and diesel consumption trends for FY2018. For electricity consumption (kWh), Lian Hup Oil Mill currently records the highest usage while highest diesel usage (litres) was mainly observed at our Masranti Oil Mill. Comparisons for electricity consumption do not include Masranti Estate, Lian Hup Estate and Senang Estate as electricity is supplied from the oil mill. Varying consumption patterns are due to the different sizes and capacities of our factory.

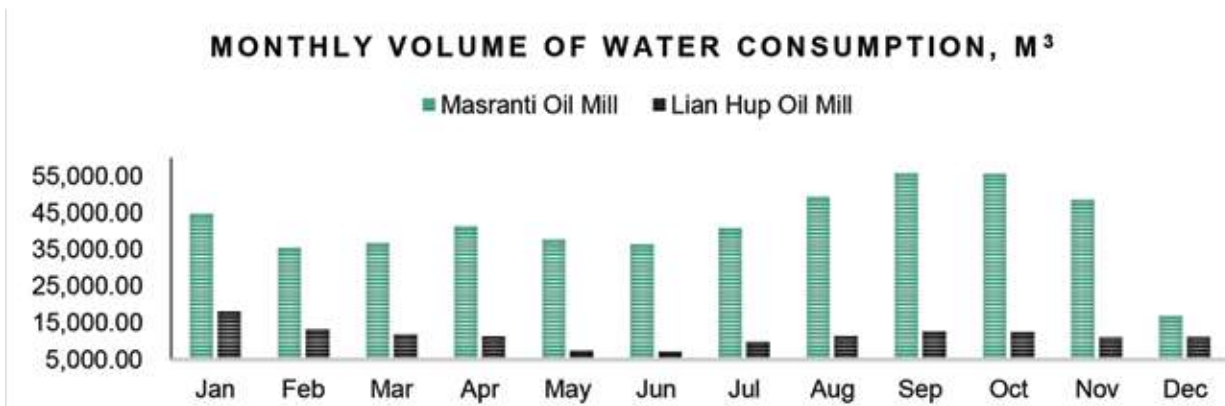




## SUSTAINABILITY STATEMENT (Cont'd)

### EFFICIENT WATER MANAGEMENT

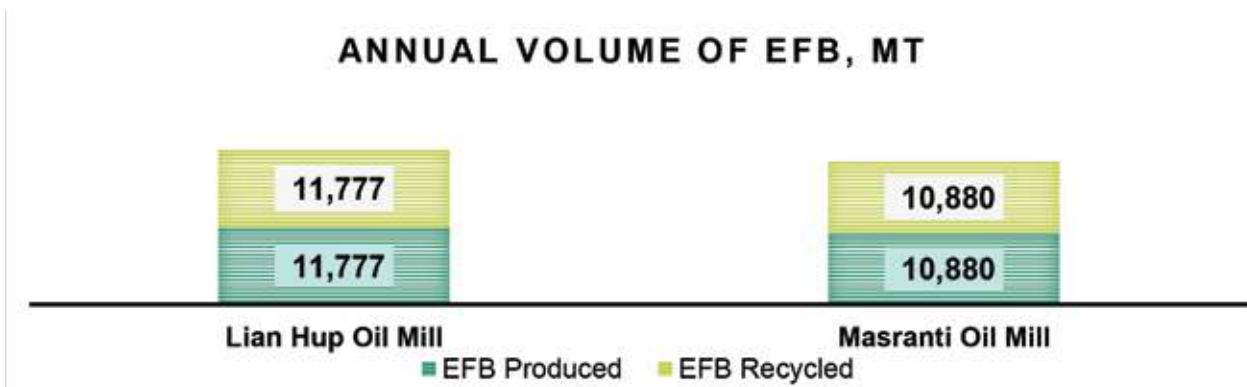
Mill activities require the use of raw water for processes that include steam generation, fresh fruit bunch washing, sterilisation processes and more. This year, we disclose the volume of water consumed at our mills to be used as baseline information for future monitoring and water conservation planning. The graph below compares the monthly volume of water consumption between our two mills, Lian Hup Oil Mill and Masranti Oil Mill, in which the latter shows higher volume of water usage. This is again due to the varying degree in mill size and capacity. Water consumption at Masranti Estate is not measured because water is sourced from a pumping well without a reading meter attached. Whereas, Harn Len Pelita Bengunan Estate, Lian Hup Estate and Senang Estate receive their water supply from the oil mills.



Future considerations to further enhance our commitment to sustainability would include the adoption of effective rain water harvesting programmes at our estates and frequent inspections for pipeline leakages.

### IMPLEMENTING WASTE MANAGEMENT PRACTICES

The types of wastes generated through our business operations include biomass and scheduled wastes from our mills and estates. Empty fruit bunches (EFB) make up the largest volume of our biomass waste compared to cut frond and palm kernel shells. We expand the disclosure of our waste output for FY2018 by presenting the volume of EFB collected at our operating units, Lian Hup Oil Mill and Masranti Oil Mill.



#### o EFB Recycling

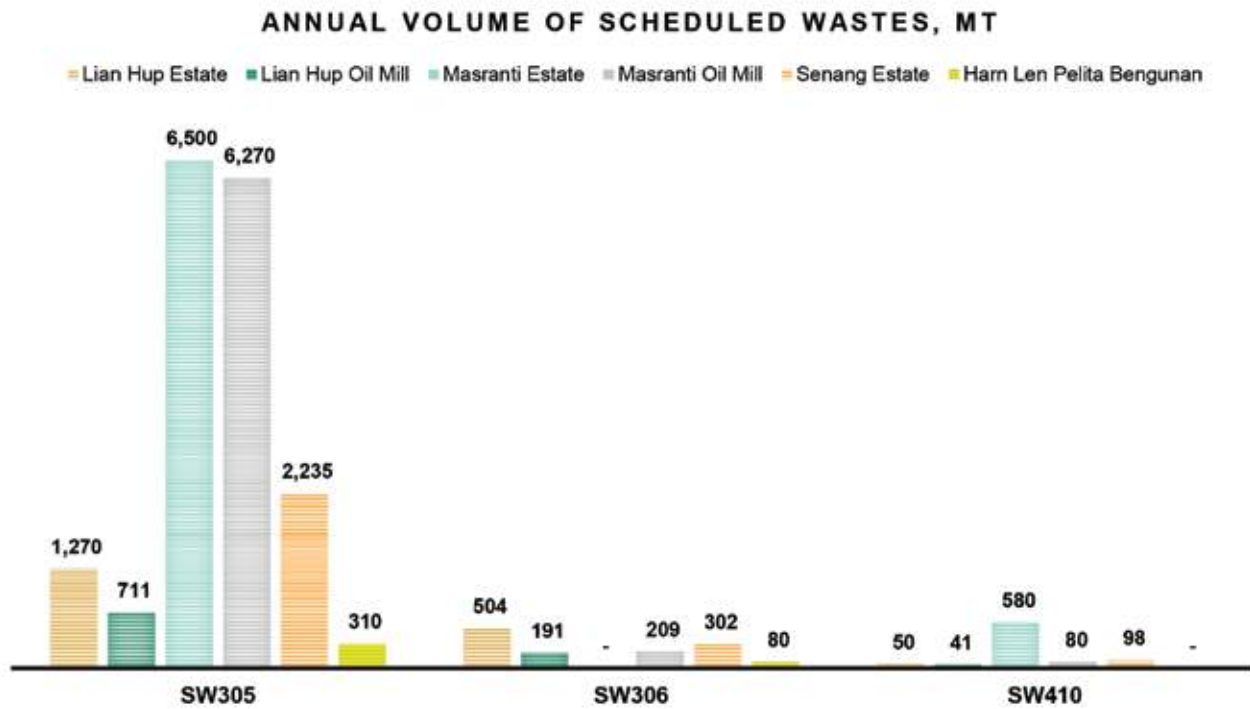
A key waste management practice we adopt at our operating sites is EFB recycling through mulching. Both our Lian Hup Oil Mill and Masranti Oil Mill recycled 100 per cent of EFB. Preliminary efforts are in place to begin extensive EFB recycling at our Senang Estate.

#### o Managing Scheduled Wastes

Year-on-year, we maintain strict compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005. The Company generates three main types of scheduled wastes; SW305, SW306 and SW410. The graph below illustrates the annual volume of scheduled wastes across six of our operating units. The varying amount of waste depends on the size and capacity of our factories and estates.



## SUSTAINABILITY STATEMENT (Cont'd)



As per national requirements, we have a designated storage shed to safely store hazardous chemicals and scheduled wastes. Licensed contractors are hired to periodically collect and dispose of these wastes in landfills approved by the Department of Environment.

### SUSTAINABLE SOCIETY

At Harn Len, we are deeply aware of our role in contributing to the growth of the surrounding community in which we operate. As such, we focus our efforts on giving back to the community through volunteering and contributions in the form of monetary and in-kind donations to improve the livelihood of the local residents.

#### CONTRIBUTIONS TO THE LOCAL COMMUNITY

Our commitment to community contributions is focused on improving the conditions of educational facilities, creating educational accessibility and promoting cultural harmony.

##### o Schools

For FY2018, we awarded donations to several schools and contributed to their daily curriculum as listed in the table below.

School	Activity
SK Selepong Sri Aman	<ul style="list-style-type: none"> <li>Donated funds and hampers for the school's Excellent Award Day</li> <li>The objective of the award is to show recognition to best students in terms of academic and extra-curricular activities</li> </ul>
SK Selanjau Sri Aman	
SK Melati Pahang	<ul style="list-style-type: none"> <li>Donated funds for the school's Highly Immersive Programme – Aktiviti Keceriaan</li> <li>The objective of the programme is to create creative spaces for the students and encourage the use of the English language in daily conversations</li> </ul>



## SUSTAINABILITY STATEMENT (Cont'd)

We also put in the effort to further enhance our contribution by establishing an Education Award for children of our employees in recognition of their academic achievements and celebrating the month of Ramadhan with less fortunate students.

Education Award
<ul style="list-style-type: none"> <li>• Annual event</li> <li>• Cash rewards and gifts given to the Company's employees' children who achieved good school results</li> <li>• More than 250 employees and their children were also treated to special luncheon</li> </ul>
Majlis Buka Puasa
<ul style="list-style-type: none"> <li>• Annual Majlis Buka Puasa (Breaking Fast Ceremony) held at the Tropical Inn Hotel with 60 teachers and students from Taman Kebangsaan University Johor Bahru during the month of Ramadhan.</li> <li>• Students from low-income families were accompanied by their teachers to the event.</li> <li>• Duit Raya and cookies were gifted to the students</li> </ul>

### o Charity and Festival Celebrations

Our contribution to charity programmes and engagement in festival celebrations are presented in the table below.

Programme	Activity
Persatuan Veteran Angkatan Tentera Malaysia (PVATM)	• Fundraising activities
All Saint Chapel, Gua, Sri Aman	
Gawai Festival 2018	• Joint celebration with the Iban community for two main festivals
Ngiling Badai Festival 2018	
Hindu Temple Visit	• Spiritual visit
Hungry Ghost Festival	• Annual celebration during the 7 <sup>th</sup> ghost month

## CONCLUSION

Moving forward, Harn Len endeavours to enhance our sustainability performance by achieving full MSPO certification on our operating sites by June 2019. The Company's sustainability strategy has laid the foundation for the successful management of EES risks and opportunities that have an impact on our business operations and stakeholders, and will facilitate our continuous efforts to incorporate sustainable practices within our daily operations.





## AUDIT COMMITTEE REPORT

### A. COMPOSITION AND ATTENDANCE

Pursuant to Paragraph 15.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company has established an Audit Committee (the "Committee"), comprising the following four (4) members who are all Independent Non-Executive Directors:

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

The Board appoints members of the Committee from amongst its members who fulfil the following requirements:

- (a) the Committee shall consist of not less than three (3) members;
- (b) all the Committee members shall be Non-Executive Directors, with a majority of them being Independent; and
- (c) at least one (1) member of the Committee:
  - (i) shall be a member of the Malaysian Institute of Accountants;
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he shall have at least three (3) years of working experience and:
    - (aa) he shall have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (bb) he 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 during the financial year under review. The attendance of members at Committee meetings convened during the financial year under review 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 a platform for the External Auditors to share with the Audit Committee with candour any concerns they might have during the course of their audit without being beholden to Management. The sessions also provided opportunities for the Audit 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 members can make the necessary arrangement to attend the meetings. The notice of meeting, together with meeting papers, is normally served with adequate notice to members of the Committee before each meeting to enable them to read, including an opportunity for the members to inquire into the agenda items as well as to seek more information before the meeting.

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

### C. ROLES AND RESPONSIBILITIES

In compliance with the Main Market Listing Requirements of Bursa Securities, the roles and responsibilities of the Audit Committee, which are revised in tandem with changes to regulatory requirements affecting the Committee, are uploaded on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my).



## AUDIT COMMITTEE REPORT (Cont'd)

### D. AUTHORITY

The Committee has the authority to:

- Investigate any matter within its terms of reference any matter referred to it or that it has come across in respect of a transaction that raise questions or 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/external professional or other advice and to secure the attendance of outsiders with 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 under review are summarised as follows:

- Reviewed the unaudited quarterly and year-end 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 approved accounting standards and other legal requirements;
- Reviewed with Management the Group operating and financial budget/projections for 2018, covering capital commitments, cashflow forecast/projections and cash position and including assumptions used in the projections and budget;
- Reviewed the policy on external auditors, appointment of the external and internal auditors, their independence and effectiveness, including their fees. On the independence of auditors, the Committee received written assurance from Messrs Deloitte PLT, the external auditors, confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements in Malaysia. The amount of fees paid to the external auditors of the Company or a firm or company affiliated to the external auditors for the financial year under review in respect of non-audit services rendered to the Group amounted to RM218,000;
- Reviewed with the external auditors the latter's 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 times during the financial year under review without the presence of the Executive Directors and Management to enable the external auditors to voice any concerns they might have during the course of their external audit;
- 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;
- Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its 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' report, as well as Management's response to recommendations for improvement from the internal auditors;
- 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 earlier, covering the ERM methodology deployed for the identification and quantification of risks which were ranked in priority, including the use of key performance indicators to corroborate the risk ratings, and the top 5 risks faced by the Group, including remedial measures deployed by Management to mitigate the risks to acceptable levels;



## AUDIT COMMITTEE REPORT (Cont'd)

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

The principal activities undertaken by the Committee during the financial year under review are summarised as follows: (Cont'd)

- Evaluated the performance of the external auditors' function based on timeliness, competency, adequacy of resources to achieve the agreed scope of audit, and assistance given by the employees of the Group to the external auditors before recommending the re-appointment of external auditors to the Board; 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 Audit Committee also noted the internal control deficiencies or areas of improvement identified by the Internal Auditors and action plan for corrective actions or improvement by Management.

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.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### PURPOSE OF STATEMENT

Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) stipulates that a listed issuer must ensure that its board of directors makes a statement (“Statement on Risk Management and Internal Control” or “Statement”) about the state of risk management and internal control of the listed issuer as a group. The Statement needs to include sufficient and meaningful information required by shareholders and other stakeholders to make an informed assessment of the main features and adequacy of the listed issuer’s risk management and internal control system as a group.

Accordingly, the Board of Directors (“Board”) of Harn Len Corporation Bhd (“Company”) furnishes this Statement, which outlines the nature and scope of the system of risk management and internal control in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2018 and up to the date of approval of this Statement for inclusion in the Company’s Annual Report. For the purpose of disclosure, this Statement has considered and, where pertinent, included the mandatory contents outlined in the “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers”, a publication of Bursa Securities, which provides guidance to listed issuers in preparing the Statement.

### BOARD’S RESPONSIBILITY ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges and assumes its overall responsibility for the Group’s system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets as well as reviewing the adequacy and operating effectiveness of this system in meeting the Group’s business objectives. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with the Principles, Practices and Guidance of the Malaysian Code on Corporate Governance (“MCCG”). As such, the Board is aware of its principal responsibilities, as outlined in the following Practices and Guidance of the MCCG, pertaining 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 business and strategic objectives. The System can, hence, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraudulent activity.

In applying Practice 9.1 of the MCCG, the Board has developed an Enterprise Risk Management framework (“ERM Framework” or “Framework”) in 2007 following the appointment of Messrs. Ernst & Young Advisory Service Sdn Bhd by the Company to provide consulting insights on how pertinent risk management policies and procedures could be formalised within the Group. These policies and procedures, within this Framework have since been revised from time to time to meet changing regulatory requirements and the needs of the Group. This Framework, which encapsulates pertinent policies and guidelines to streamline the Group’s risk management initiatives 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 this process, including mitigating measures implemented 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 Annual Report of the Company.



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

### *RISK MANAGEMENT FRAMEWORK – WHAT IT IS AND HOW IT FUNCTIONS*

Risk management is embedded in the Group's key business processes through its ERM Framework, which sets out, inter-alia, an easy-to-understand step-by-step approach to identify and evaluate risks faced by business units and, by extension, the Group. To streamline risk management processes and activities, the Board has formalised the above-mentioned ERM Framework for adherence by business units across the Group. The ERM Framework embodies a structured assessment process, culminating in the compilation of specific risk profiles 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 top 5 risks of the Group to the Audit Committee and Board, taking into account the vagaries of evolving business environment as well as emerging risks.

The individual risks in the profile are scored for their likelihood of occurrence and the impact thereof based on a '4 by 4' risk matrix, deploying parameters established for the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated 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 specific risks are documented in individual risk registers, covering the risk description, risk ranking in terms of likelihood of occurrence and the impact thereof after considering the effectiveness of internal controls deployed by Management to address the risks, recommended additional action plans to mitigate the risks, including timelines and status of implementation. The risk ranking also takes into consideration 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 deployed 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 outcome reported by the Chairman of ERM Committee to the Audit Committee and the Board for further comments. The business risks as identified encompassed, inter-alia, risks on strategies, finance, operations, sustainability and regulatory compliance.

### *INTERNAL CONTROL SYSTEM – THE SALIENT FEATURES*

Apart from those internal controls deployed by Management to mitigate risks as mentioned above and the appointment of an outsourced independent internal audit function, the Group's internal control system also covers the following key elements:

- an organisation structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority, including financial limits of authority in approving transactions/activities as well as mandate to operate bank accounts. The structure also sets out clear 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;
- site visits by Senior Management to estates and business units which double up as physical checks on the operations of the business units;
- an annual budgetary exercise that requires all business units in the Group to formulate financial budgets which are then consolidated into a Group budget, presented to the Audit Committee for comments and finally to the Board for further comments, if any, and 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 furnished by Management;
- significant changes in business development are reported by Management to the Board at scheduled meetings. This oversight review enables the Board to evaluate and monitor the Group's business performance vis-à-vis its strategic objectives;
- the Audit Committee, which is entrusted by the Board to oversee, amongst others, the Company's financial reporting process, in particular the quarterly and annual announcements of the Group's financial performance, meets at least quarterly to review the announcements, seeks clarification and explanations from Management before recommending the announcements to the Board for approval;





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

### INTERNAL CONTROL SYSTEM – THE SALIENT FEATURES (Cont'd)

Apart from those internal controls deployed by Management to mitigate risks as mentioned above and the appointment of an outsourced independent internal audit function, the Group's internal control system also covers the following key elements: (Cont'd)

- internal policies and procedures on key business processes are formalised in writing for adherence by personnel across the Group. These policies and procedures essentially 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 of the Group to raise genuine concerns about suspected 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 internal audit function of the Group is outsourced to an independent professional firm, namely Ernst & Young Advisory Services Sdn Bhd. The appointment of the outsourced internal audit service provider followed an assessment of its suitability and capability by the Audit Committee.

#### Outsourced internal audit coverage

The internal audit function performed an internal audit review during the financial year under review, focusing on selected significant business processes and reported its observations, including Management's response and action plans thereto, 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 and questions were posed to Management on the timeliness of measures to address the concerns as reported.

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 business objectives. The internal audit approach adopted was in general conformance with those applicable International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, Inc, a globally recognised professional body for internal auditors. For the financial year ended 31 December 2018, the internal controls deployed by Management on the following processes and their associated business risks pertaining to a significant estate within the Group were assessed by the Internal Audit function with the Audit Committee's concurrence:

<b>Business process included in internal audit</b>	<b>Business Unit</b>
Goods and delivery management	Senang Estate
Inventory management	Senang Estate
Related Party Transactions	Group and Corporate Office
Follow-up	Status of implementation of action plans by Management to address matters reported in preceding cycles of internal audit (Senang Estate)

Internal audit observations on systems weakness and areas for improvement, including recommended mitigating measures to address the concerns raised, were included in the internal audit report presented to the Audit Committee.

For the financial year ended 31 December 2018, the Audit Committee reviewed the work of the internal audit function, their observations and recommendations in order to obtain assurance on the adequacy and operating effectiveness of the Group's risk management and internal control system. The total cost incurred by the Group for the internal audit function for the financial year under review amounted to approximately RM 63,000.



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

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

#### *External Auditors*

The external auditors, in the course of their statutory audit of the Group'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 vide their presentation deck.

In assisting the Board to assess the adequacy and operating effectiveness of the Group's risk management and internal control system, the Audit Committee reviewed the observations raised by the internal and external auditors, as well as actions taken by Management to address the areas of concern for the financial year ended 31 December 2018. 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.

### *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 approval of this Statement for inclusion in the Annual Report of the Company, 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.

### *ASSURANCE BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM*

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

### *REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS*

Pursuant to Paragraph 15.23 of Bursa's Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 31 December 2018. 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 29 April 2019.



## 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, 2018 are as follows :

Audit Fees:

	<u>RM</u>
Deloitte PLT	- 213,000

Non-Audit Fees:

i) Deloitte PLT	- 218,000
ii) Ernst & Young	- 63,000

### 2. Material contracts

The following material contracts were entered into within the two (2) years immediately preceding the date of this Annual Report 2018 :

- i) A Share Sale Agreement (SSA) was entered into between the Company and Midwest Equity Sdn Bhd (Company No.: 961977-W) on 29 May, 2017 for the acquisition of the entire issued and paid-up capital comprising 5,000,000 ordinary shares of RM1-00 each in the company from the following vendors for a total cash consideration of RM28,000,000 (Malaysian Ringgit: Twenty-Eight Million Only) upon the terms and conditions of the SSA :

Vendors	Shareholdings	Consideration (RM)	Percentage (%)
Dato' Azizi Bin Yom Ahmad	1,750,000	9,800,000	35
Dato' Abd. Gani Bin Yusof	1,750,000	9,800,000	35
Piagam Wira Sdn Bhd	1,500,000	8,400,000	30
	5,000,000	28,000,000	100

The Share Sale Agreement was completed on 15 November, 2018.

- 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 three(3) 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.



## ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

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

iii) 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 Arrangement") :

- i) Horn Lern (Merakai) Sdn Bhd;
- ii) Horn Lern (Semada) Sdn Bhd;
- iii) Horn Lern (Jerok) Sdn Bhd;
- iv) Horn Lern (Krangang) Sdn Bhd; and
- v) 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.

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

vi) 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**") (collectively, referred to as the "**Lian Hup Assets**") 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).

### 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 20 of the financial statements.

### 5. Utilisation of Proceeds

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