



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



**ANNUAL REPORT 2017**





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HARN LEN CORPORATION BHD.

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annual report 2017

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Eighteenth (18<sup>th</sup>) Annual General Meeting of Harn Len Corporation Bhd (“Harn Len” or “the Company”) will be held at Meranti Hall, 4<sup>th</sup> Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru on Wednesday, 27 June 2018 at 10.00 am for the following purposes:-

### Ordinary Business:-

- |    |                                                                                                                                                                       |                                           |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.            | <b>Please refer to Explanator Notes 1</b> |
| 2. | To approve the payment of Directors’ fees of RM200,000 for the financial year ended 31 December 2017.                                                                 | <b>Resolution 1</b>                       |
| 3. | To approve the payment of Directors’ benefits payable to the Directors of the Company up to RM280,000 for the period 1 January 2018 to 30 June 2019.                  | <b>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:-   |                                           |
|    | i) Mr Low Quek Kiong                                                                                                                                                  | <b>Resolution 3</b>                       |
|    | ii) Mr Low Kueck Shin                                                                                                                                                 | <b>Resolution 4</b>                       |
|    | iii) Mr Low Kwek Lee                                                                                                                                                  | <b>Resolution 5</b>                       |
|    | iv) Mr Low Kok Yaow                                                                                                                                                   | <b>Resolution 6</b>                       |
| 5. | To re-appoint Messrs Deloitte PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. | <b>Resolution 7</b>                       |

### SPECIAL BUSINESS:-

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

- |    |                                                                                                                                                                                                                                                                                          |                      |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 6. | <b>ORDINARY RESOLUTION 1<br/>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>Resolution 8</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>Resolution 9</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>Resolution 10</b> |



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

7. **ORDINARY RESOLUTION 2** **Resolution 11**  
**AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 (“AUTHORITY TO ALLOT SHARES”)**
- “THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental / regulatory authorities (if any), the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted during the preceding 12 months does not exceed ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so allotted from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until 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 3** **Resolution 12**  
**PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR SHARE BUY-BACK (“PROPOSED RENEWAL OF SHARE BUY-BACK”)**
- “THAT subject to the Companies Act 2016, the Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the provision of the Constitution of Company and other applicable laws, rules, regulations and guidelines of the relevant authorities, the Directors of the Company be and are hereby authorised to purchase such number of ordinary shares in the Company through the Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit subject to the following:
- (a) the aggregate number of shares purchased and/or held does not exceed ten per centum (10%) of the total number of issued share of the Company as quoted on Bursa Securities as at the point of purchase (“Harn Len Shares”);
  - (b) an amount of funds not exceeding the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) at the time of purchase(s) will be allocated by the Company for the purchase of its own shares; and
  - (c) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or to deal with the treasury shares in the manners as allowed by the Companies Act 2016.





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

AND THAT the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:

- (i) the conclusion of the next Annual General Meeting of the Company following the 18<sup>th</sup> Annual General Meeting in which the resolution for the Proposed Renewal of Share Buy-Back is passed, at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next Annual General Meeting is required by law to be held; or
- (iii) revoked or varied by ordinary resolution of the shareholders of the Company in general meeting.

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Main LR and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary (including the appointment of a stockbroking firm and the opening and maintaining of a Central Depository Account designated as a Share Buy-Back Account and to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company.”

### 9. ORDINARY RESOLUTION 4 PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW 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 2018 :

- (1) Seri Cemerlang Plantation (Pahang) Sdn Bhd
- (2) Low Nam Hui & Sons Sdn Bhd
- (3) KangHui Travel Sdn Bhd
- (4) LNH Enterprise Sdn Bhd
- (5) Horn Lern (Merakai) Sdn Bhd
- (6) Horn Lern (Semada) Sdn Bhd
- (7) Horn Lern (Krangan) Sdn Bhd
- (8) Horn Lern (Jerok) Sdn Bhd

**Resolution 13**  
**Resolution 14**  
**Resolution 15**  
**Resolution 16**  
**Resolution 17**  
**Resolution 18**  
**Resolution 19**  
**Resolution 20**



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

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,

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.

10. 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 18th 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 2018. Only a depositor whose name appears on the General Meeting ROD as at 19 June 2018 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 2018



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

### Notes:-

1. Only members registered in the Record of Depositors as at 19 June 2018 are eligible to attend, speak and vote at the Company's 18th 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.
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

###### Resolution 2

###### Directors' Benefit for the period 1 January 2018 to 30 June 2019

The total estimated benefit payable comprised of meeting allowance and annual allowance for the Board Committees of the Company for the period 1 January 2018 to 30 June 2019.



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

### Special Business:-

#### 3. **Item 6 of the Agenda** **Resolutions 8, 9 and 10** **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 8, 9 and 10 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 2017 on page 32.

#### 4. **Item 7 of the Agenda** **Resolution 11** **Authority to allot shares**

The proposed Resolution 11 is the renewal of the mandate obtained from the members at the 17th Annual General Meeting held on 6 June 2017. As at the date of this Notice, no new shares in the Company were issued pursuant to the last mandate.

The Proposed Resolution 11, 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** **Resolution 12** **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 AGM 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 2018 which is dispatched together with the Company's Annual Report 2017.





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

### 6. Item 9 of the Agenda

#### **Resolutions 13, 14, 15, 16, 17, 18, 19 and 20**

#### **Proposed Renewal of Shareholders' Mandate And Proposed New Shareholders' Mandate**

The Board had on 30 March 2018 announced that the Company would seek the approval from its shareholders for the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate. The existing Shareholders' Mandate obtained on 6 June 2017 will expire at the conclusion of the forthcoming 18th Annual General Meeting to be held on 27 June 2018.

The Resolutions 13, 14, 15, 16, 17, 18, 19 and 20 proposed under Agenda 9(1), 9(2), 9(3), 9(4), 9(5), 9(6), 9(7) and 9(8) 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 Seri Cemerlang Plantation (Pahang) Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, KangHui Travel Sdn Bhd, LNH Enterprise Sdn Bhd, Horn Lern (Merakai) Sdn Bhd, Horn Lern (Semada) Sdn Bhd, Horn Lern (Krangan) Sdn Bhd and Horn Lern (Jerok) Sdn Bhd as set out in Section 2.6 of Part B of the Circular to shareholders dated 30 April 2018, which is sent out together with the Company's Annual Report 2017. 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.

### **STATEMENT ACCOMPANYING**

### **NOTICE OF 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.



## CORPORATE INFORMATION

### **BOARD OF DIRECTORS**

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

### **AUDIT COMMITTEE**

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

### **NOMINATING COMMITTEE**

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

### **REMUNERATION COMMITTEE**

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

### **REGISTERED OFFICE / BUSINESS ADDRESS**

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

### **SECRETARIES**

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

### **SHARE REGISTRAR**

Messrs Tricor Investor & Issuing House 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

### **AUDITORS**

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

### **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

### **STOCK EXCHANGE LISTING**

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

### **WEBSITE**

[www.harnlen.com.my](http://www.harnlen.com.my)



## 5 YEARS KEY STATISTICS

		Year				
		2017	2016	2015	2014	2013
<b>FINANCIAL PERFORMANCE</b>						
Revenue	(RM'000)	324,978	269,556	243,183	271,582	256,803
Profit / (Loss) From Operations	(RM'000)	22,663	7,155	(15,563)	9,508	144,279
Ebita	(RM'000)	43,516	27,216	4,638	27,709	162,559
Profit / (Loss) Before Tax	(RM'000)	15,829	1,969	(18,679)	7,465	133,979
Taxation (Income)/Expense	(RM'000)	8,054	6,851	983	5,627	(2,076)
Profit / (Loss) After Tax	(RM'000)	7,775	(4,882)	(19,662)	1,838	136,056
Net (Profit) / (Loss) to equity holders	(RM'000)	7,171	(8,340)	(14,062)	2,435	136,075
Shareholders' Equity	(RM'000)	315,330	312,984	326,367	340,430	352,832
Total Assets	(RM'000)	550,592	497,114	463,338	440,428	486,462
Total Borrowings	(RM'000)	123,649	112,890	85,752	44,459	56,481
Return on Equity	%	2.27	(2.66)	(4.31)	0.72	38.57
PE Ratio (times)		15	N/A	N/A	82	2
Return on Total Assets	%	1.30	(1.68)	(3.03)	0.55	27.97
Gearing Ratios		1:2.50	1: 2.77	1: 3.81	1: 7.66	1: 6.25
Interest Cover (times)		6.41	5.23	1.48	13.56	15.8
Nett Debts to shareholders equity	%	39	31	21	8	16
Earnings Per Share-Basic	Sen	4.02	(4.60)	(7.60)	1.31	73.4
Net Assets Per Share	RM	1.71	1.69	1.69	1.79	1.86
Gross Dividend per share	Sen	-	-	-	8	20
Gross Dividend yield	%	-	-	-	7.5	13
Share Price at financial year end	Sen	62	80	100	107	150
<b>ESTATES</b>						
<u>Planted area</u>						
Mature	(ha)	11,387	10,855	11,867	11,783	11,156
Immature	(ha)	5,493	6,046	2,377	1,239	1,327
Total Planted Area	(ha)	16,880	16,901	14,244	13,022	12,483
FFB Production	(mt)	182,161	162,277	181,198	174,151	189,242
Yield Per Mature Hectare	(mt/ha)	15.997	14.949	15.269	14.780	14.092
<b>MILLS</b>						
<u>FFB Processed</u>						
Own FFB	(mt)	182,161	108,055	132,536	130,141	112,194
Outside FFB	(mt)	214,281	324,087	322,923	313,108	262,043
Total	(mt)	396,442	432,142	455,459	443,249	374,237
<u>Production</u>						
Crude Palm Oil	(mt)	79,475	84,471	89,160	88,939	74,485
Palm Kernel	(mt)	17,111	17,914	20,634	20,471	17,497
<u>Extraction Rate</u>						
Crude Palm Oil						
Extraction Rate	(%)	20.05	19.60	19.58	20.07	19.89
Palm Kernel						
Extraction Rate	(%)	4.32	4.70	4.53	4.62	4.68
<u>Average Selling Prices (Nett)</u>						
Crude Palm Oil	(RM/mt)	2,766	2,549	2,084	2,294	2,296
Palm Kernel	(RM/mt)	2,432	2,332	1,432	1,534	1,246
<u>Profile of Trees</u>						
Immature (0-3 years)	Ha	5,493	6,046	2,377	1,239	1,327
Young (4-7 years)	Ha	1,057	3,734	3,644	4,142	2,274
Prime (8-19 years)	Ha	10,247	6,813	6,813	6,104	7,182
Past Prime (> 20 years)	Ha	83	308	1,410	1,537	1,700

Ebita - Earnings before Interest, Tax, Depreciation and Amortisation

n/a - Not Applicable

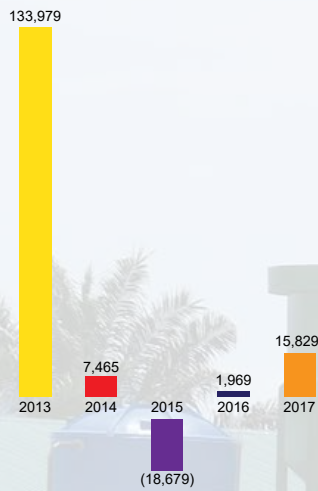
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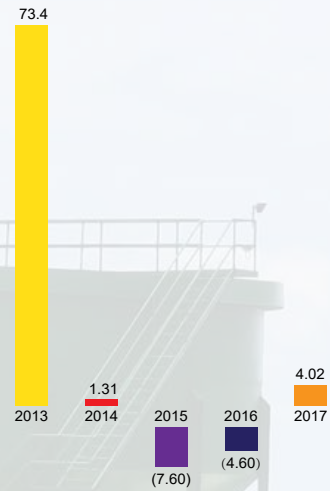


## 5 YEARS KEY STATISTICS (Cont'd)

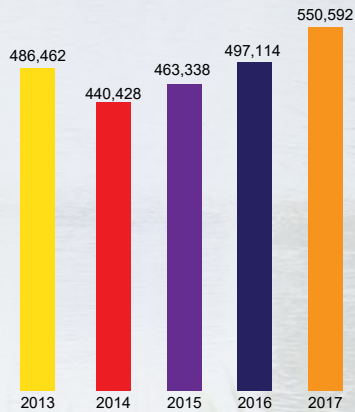
**PROFIT / (LOSS) BEFORE TAX  
(RM'000)**



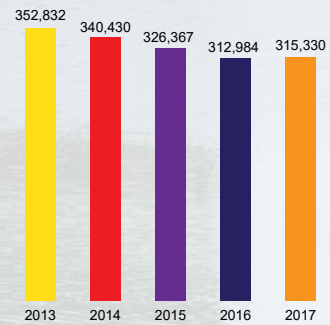
**(LOSS) / EARNINGS PER  
SHARE-BASIC  
(Sen)**



**TOTAL ASSETS  
(RM'000)**



**SHAREHOLDERS' EQUITY  
(RM'000)**







## DEPUTY EXECUTIVE CHAIRMAN'S STATEMENT



**Dear Shareholders**

*I am pleased to inform that Harn Len Group has performed well under its initiatives for the financial year ("FY") 2017 against the backdrop of challenging economic conditions to record a profit before tax of RM15.83 million (FY 2016 : RM1.97 million).*

### Financial Performance

During the year under review, the Group's performance continue to gain positive traction after the implementation of the Group's initiatives to increase productivity and better manage our cost to generate sustainable performance highlighted as follows:-

(RM'000)	FY 2017	FY 2016	FY 2015
Revenue	324,978	269,556	243,183
Profit/(Loss) from operations	22,663	7,155	(15,563)
Profit/(Loss) before tax	15,829	1,969	(18,679)
Profit/ (Loss) after tax	7,775	(4,882)	(19,662)
Total borrowings	123,649	112,890	85,752
Gearing ratio	1:2.50	1:2.77	1:3.81
Earnings/(Loss) per share (sen)	4.02	(4.60)	(7.60)
Net assets per share (RM)	1.71	1.69	1.69

### Corporate Development

During FY 2017, the Company undertook the following transactions :-

- On 6 January 2017, the Company entered into a Share Sale Agreement ("SSA") with several third party individuals for the sale of the entire share capital of a subsidiary, Gemilang Bumimas Sdn Bhd, for a total consideration of RM13,600,000.00.
- On 12 May 2017, the Company completed the land transaction with Jotech Metal Fabrication Industries Bhd upon the full settlement of the balance sum of RM10,800,000.00 for the three (3) pieces of land together with factory buildings.
- On 29 May 2017, the Company entered into a SSA with 3 parties for the acquisition of the entire equity of 5,000,000 shares in Midwest Equity Sdn Bhd, a property investment company, for a purchase consideration of RM28,000,000.00.

### Other Corporate Development

On 10 December 2017, the Company's wholly owned subsidiary, Nusantara Daya Sdn Bhd, received a letter from the Land Office Johor Bahru confirming that the entire Lot 46200, GRN 460222 was being compulsory acquired for the purpose of sewage treatment plant construction and an order for compensation of RM16,516,800.00 was made. However, the Company has engaged Messrs Clarence Edward Law Office to submit the relevant documents to protest the compensation sum awarded. The compensation of RM16,516,800.00 has been received on 15 January 2018.



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

### Sustainability Agenda

Sustainability is an integral part of the Group's long-term value creation plan, contributing not only to our own progress and the welfare of our workforce but also for nation building and overall economic development in the areas that we operate. We are confident that the Group's commitment to strong governance, good sustainability practices, as well as continued investment in human capital places us in a stronger position for future growth to better meet our stakeholders' expectations. Our Sustainability initiatives are outlined in pages 37 to 52 of this Annual Report.

### Looking Ahead

Slower growth is expected in 2018 for major economies with ongoing volatility of commodity prices and geopolitical uncertainties. Operating costs is forecasted to continue to escalate and we strive to further streamline and consolidate our business operations to be more resilient moving forward. We will also continue to enhance productivity, increase yields and improve oil extraction rates.

### Acknowledgement

I would like to express my deepest appreciation to our Board members, management team and employees for their invaluable dedication and commitment in leading the Group forward in ensuring our success.

Our sincere gratitude to our shareholders, financiers, business partners and the regulatory authorities for the support and confidence in the Harn Len Group, will be essential for us to adapt to the ever changing marketplace environment.

**PUAN SRI DATIN CHAN PUI LEORN**  
Deputy Executive Chairman

23 April 2018





## PROFILE OF DIRECTORS

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

*NON-INDEPENDENT, EXECUTIVE*



**Puan Sri Datin Chan Pui Leorn (Puan Sri Datin Chan)**, aged 59, Malaysian Female, was appointed to the Board of Harn Len as an Executive Director on 1 March 2011. On 1 January 2015, Puan Sri Datin Chan was appointed the Deputy Executive Chairman of the Harn Len.

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

Besides her executive position in Harn Len, Puan Sri Datin Chan is a Member of both the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) Commerce Committee and International Trade and Industry Committee. 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 19 of the Financial Statements.

### **LOW QUEK KIONG**

*NON-INDEPENDENT, EXECUTIVE*



**Low Quek Kiong (“Low QK”)**, aged 66, 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 19 of the of the Financial Statements.



## PROFILE OF DIRECTORS (Cont'd)

### LOW KUECK SHIN

NON-INDEPENDENT, EXECUTIVE



**Low Kueck Shin, KMN (“Low KS”)**, aged 61, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr 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 the oil palm plantation business.

Besides his involvement in Harn Len, Mr Low KS is the Deputy-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 19 of the Financial Statements.

### LOW KWEK LEE

NON-INDEPENDENT, EXECUTIVE



**Low Kwek Lee (“KL Low”)**, aged 59, 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 19 of the of the Financial Statements.





## PROFILE OF DIRECTORS (Cont'd)

### LOW KUEK KONG

*NON-INDEPENDENT, EXECUTIVE*



**Low Kuek Kong (“Low KK”)**, aged 51, 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 19 of the Financial Statements.

### LEE CHON SING

*NON-INDEPENDENT, EXECUTIVE*



**Lee Chon Sing**, aged 76, 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.





## PROFILE OF DIRECTORS (Cont'd)

### **LOH WANN YUAN**

*SENIOR INDEPENDENT, NON- EXECUTIVE*



**Loh Wann Yuan**, aged 49, a Malaysian Male, was appointed to the Board of Harn Len on 15 April 2002. Mr Loh is the Chairman of Audit Committee and Nominating 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 23 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 75, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003. He is a member of the Audit Committee, Remuneration Committee and Nominating 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 with up to 6,000 men.

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 76, 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 Nominating 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 64, 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 a member of the Audit Committee and Nominating 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 32, 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 19 of the Financial Statements.

### LOW KOK YAOW

NON-INDEPENDENT, EXECUTIVE



**Low Kok Yaow (“Low KYw”)**, aged 29, 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 19 of the Financial Statements.

## CONVICTION OF OFFENCE

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





## KEY MANAGEMENT OFFICERS

### **LOW YEW YERN** *CHIEF FINANCIAL OFFICER*



**Low Yew Yern**, 39, Malaysian Male, graduated from University of London with a Degree in Economics in 1999 and Masters in Economics in 2001. Mr Low has been the Chief Financial Officer of the Company since July 2003.

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

He does not hold any directorship in 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 19 of the Financial Statements.

During the financial year, he does not have any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies, other than traffic offences.

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



**Mdm Lai Nyuk Fah**, 58, 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 of labels for the period 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 listed companies in Malaysia and is not related to any director or major shareholder of the Company.

During the financial year, she does not have any convictions for offences within the past 5 years, no conflict of interests with the Company or any public sanction or penalty imposed by the relevant regulatory bodies, other than traffic offences.



## KEY MANAGEMENT OFFICERS (Cont'd)

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



**Anthony Ignatious Pillay**, 70, 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, was the Group Estate Manager with Low Nam Hui & Sons' Group.

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

During the financial year, he does not have any convictions for offences within the past 5 years, no conflict of interests with the Company or any public sanction or penalty imposed by the relevant regulatory bodies, other than traffic offences.





## MANAGEMENT DISCUSSION & ANALYSIS

### THE GROUP'S BUSINESS ACTIVITIES & GROWTH STRATEGIES

We endeavour to balance our business risks and opportunities with the interests of our many stakeholders to ensure sustainable long-term benefits and continuity. Our management team is committed to adhere to the Group's initiatives and adopt sound ethical business standards and best practices, in a socially and environmentally responsible manner for positive economic growth.

Business Segments	Location of Operations	Growth Strategies
<b>Plantation</b> Estate Management Milling Operations	Pahang and Sarawak Pahang and Sarawak	Enhance productivity and yield output by increasing management services of third party milling and processing requirements.
<b>Hotel &amp; Property Investment</b> Hotel Property Investment	Johor Johor and Sarawak	To enhance the value of the existing properties.

### BUSINESS SEGMENT REVIEW

#### Plantation Division

As the plantation segment is still the major contributor for the Group's overall performance, progressive measures are being taken to strengthen its earning drivers through a staggered replanting programme for greater operational synergy and to contribute towards long-term shareholder value. Replanting at the Pahang Estates has since been completed on February 2018.



The age profile and yield performance as at 31 December 2017 is tabulated as follows:-

Age Profile	Immature (Hectares)	4 -7 Years	8-19 Years	Above 20 years	Total (Hectares)
FY 2017	5,493	1,057	10,247	83	16,880
FY 2016	6,046	3,734	6,813	308	16,901
FY 2015	2,377	3,644	6,813	1,410	14,244

Yield Performance	FBB Production (mt)	Yield Per Hectare (mt)	FFB Processed (mt)	Selling Price Crude Palm Oil per/mt	Selling Price Palm Kernel(per/ mt)
FY 2017	182,161	15.997	396,442	RM2,766	RM2,432
FY 2016	162,277	14.949	432,142	RM2,549	RM2,332
FY 2015	181,198	15.269	455,459	RM2,084	RM1,432





## MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

Tabulated below the quarterly average selling price per m/t movements recorded for FY 2017 against FY 2016 average selling performance:-

Average Selling Price per m/t	1 <sup>st</sup> Qtr RM	2 <sup>nd</sup> Qtr RM	3 <sup>rd</sup> Qtr RM	4 <sup>th</sup> Qtr RM
<b>2017</b>				
CPO	2,988	3,313	2,603	2,684
PK	3,075	2,363	2,007	2,532
<b>2016</b>				
CPO	2,313	2,537	2,478	2,793
PK	1,821	2,173	2,444	2,641

### Market Challenges

The Plantation segment's Profit before Tax increased by 77% to RM25.7 million, due mainly to higher CPO and PK prices. The overall plantation industry continues to experience impact of workers shortage across the country and improved workers' welfare and housing benefits are essential to retain adequate workforce to manage the various estates in an effective and feasible manner. Accordingly, to ensure business stability, the Group's focus on productivity and yield management standards will protect and strengthen our long-term market presence.



### Hotel Operation

It was a challenging year for the hospitality and tourism industry, significantly affected by the intense competition created by the numerous new boutique hotels that charge very competitive rates within the city centre.

The average room rate was RM 81.00 (2016: RM 76.00) and average room occupancy was 52% (2016: 59%).

### Market Challenges

In view of the tough industry environment, the Board had initiated actions to lease out the entire hotel operation rather than to continue to record yearly losses going forward.

### Property Investment Operation

The prime mainstay property investment operation continue to stay resilient with performance statistics recorded as follows:-

	Johor Tower Lettable Area (sq ft)	Occupancy Rate (%)	Average Rental Rate p.s.f
FY 2017	88,021	75	RM2.23
FY 2016	87,466	75	RM2.23
FY 2015	89,197	77	RM2.20

## MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

### Market Challenges

While the Group is not a large scale player, it has maintained an interest in expanding its land-banks and during the year, the company had entered into a Share Sale Agreement (“SSA”) with three third parties to acquire the entire issued and paid up share capital of a company (“target company”) for a total consideration of RM28,000,000. The target company is the registered owner of the land held H.S. (D) 554637 PTD 24284, Bandar Johore Bahru, Daerah Johor Bahru, located in the heart of Johor Bahru City Centre with good and strategic development potential.

### FINANCIAL REVIEW

#### Financial Performance

The Group’s performance continues to progressively show stronger earnings resilience to enhance long-term shareholders’ value.

Key Performance Indicators	FY 2017 RM'000	FY 2016 RM'000	FY 2015 RM'000
<b>Revenue</b>			
Plantation	310,777	262,499	235,698
Hotel & Property Investment	14,201	7,057	7,484
	324,978	269,556	243,182
<b>Net Earnings</b>			
Plantation	25,661	14,528	10,012
Hotel & Property Investment	(3,036)	(6,006)	(19,535)
<b>Core Indicators</b>			
Finance Costs	6,843	5,196	3,125
Shareholder’s Equity	315,330	312,984	326,367
Total Assets	550,592	497,114	463,338
Borrowings	123,649	112,890	85,752
Debt/Equity (%)	78%	62%	46%
Earnings/ (Loss) Per Share (sen)	4	(4.6)	(7.6)
Net Assets Per Share (RM)	1.71	1.69	1.69
<b>Share Performance Indicators</b>			
Year Close (RM)	0.62	0.80	1.00
Market Capitalization as at 31 December	107,576	143,950	185,476
<b>Capital Expenditure Incurred</b>	49,110	38,636	32,346

#### Capital Management

In FY 2017, the Group’s balance sheet remained healthy with the following outstanding loan position:-

Borrowings (RM'000)	FY 2017	FY 2016	FY 2015
Current portion	53,900	46,223	44,220
Non-Current portion	69,749	66,667	41,532
Total Borrowings	123,649	112,890	85,752

The increase in borrowings were due to land acquisitions and capital expenditure on replanting to improve plantation productivity yield.



## MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

### Share Buy-Back Program

During FY 2017, the Company continued with its Share Buy-Back program and completed the following share transactions:

Transaction Date	No. of Shares Acquired	Consideration (RM)
24 February 2017	1,000	934
29 August 2017	1,000	794
12 September 2017	50,000	35,773
13 September 2017	1,700,000	1,211,422
14 September 2017	10,000	7,155
21 September 2017	3,457,700	2,498,452
25 October 2017	1,000,000	722,719
17 November 2017	494,500	347,561
Total purchase in 2017	6,714,200	4,824,810

As at 31 December 2017, total shares bought back and held as treasury shares stands at 12,254,200 shares as compared to total share transaction of 5,540,000 shares as at FY 2016.

### RISK MANAGEMENT

#### Management Initiatives

During FY 2017, the Group faces various risks and uncertainties and adopted proactive actions to improve on our sustainability commitments as follows:-

Type of Risks	Actions Taken
Employee Welfare	Enhanced on workplace benefits, staff welfare and housing incentives as a plantation workers long-term retention strategy.
Marketplace Development	Matched competitive rates for office rental to secure tenants to maintain stable high occupancy rate.
Environmental Preservation	Utilised advanced technologies and technical treatment to manage effluent disposal at all milling operations.
Financial Funding Capacity	Leveraged on financial standing, reputation and repayment capabilities to expand business opportunities.

### DIVIDEND POLICY

The Board wishes to maintain a healthier financial and gearing ratio for the coming financial year and to prepare for additional capital expenditure for the plantation replanting activities.

Accordingly, in respect of the financial year ended 31 December 2017, the Board does not recommend the payment of any dividend.

### FORWARD LOOKING STATEMENT

Looking to FY2018, we expect the overall domestic market to remain sluggish and challenging for the hotel industry, which resulted in the Board's initiation to lease the entire hotel operation to third party to manage. As for the plantation segment, the Board is expecting the concise rationalization efforts implemented over the last financial year will sustain the growth going forward.





## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### INTRODUCTION

The Board would like to take this opportunity to outline and share the present Corporate Governance (“CG”) practices adopted by the Company to shape its moving forward direction in order to support its ability to create long-term value for all stakeholders.

This statement sets out the principles and guidelines of the Harn Len Group CG framework to comply with regulatory requirements and best practices. Senior management are responsible to ensure its effective implementation throughout the Harn Len Group to promote continuous and sustainable growth for the benefits of all its stakeholders.

Accordingly, the Board is pleased to explain how Harn Len Group has applied the Bursa Malaysia Securities Berhad (“Bursa”) Listing Requirements and the Malaysian Code on Corporate Governance (“CG CODE”) practices with focus on the following three (3) principles:-

- a) Board leadership and effectiveness;
- b) Effective audit and risk management; and
- c) Integrity in corporate reporting and meaningful relationship with stakeholders.

The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report (CG Report) which is accessible via the Company’s website at [www.harnlen.com.my](http://www.harnlen.com.my).

### COMPLIANCE WITH THE CG CODE

The Board has yet to fully comply with the CG Code provisions pertaining to the following Practices:-

- Practise 1.3 The Board has not appointed a Board Chairman but has an Executive Deputy Chairman at the moment with the Managing Director position held by different individual.
- Practise 4.1 The Board currently have only four (4) Independent Directors out of a Board composition of twelve (12) members which is less than half of the Board as stipulated under the practice requirement.
- Practise 4.2 Out of four (4) Independent Directors, three (3) Independent Directors have exceeded the cumulative term limit of nine (9) years.

### BOARD LEADERSHIP AND EFFECTIVENESS

#### Role of the Board

The Board takes leadership role with full responsibility for the overall performance and oversight functions, in ensuring the necessary resources are in place to meet its strategic plan objectives.

The Directors are selected on the criteria of working experience, resourcefulness and integrity. A full profile of each Director is provided on pages 14 to 19.

#### Roles and Responsibilities of the Board

The Board plays a vital role in formulating the vision, operating objectives and outcome expectations, besides monitoring its effective implementation of its approved operating budget. During the year, the Board’s focus can be summarised as follows:



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Strategic Priorities	Performance Outcome
Expand plantation operation management services to surrounding estate owners	Increase on the mills processing and utilization capacities for better cost efficiencies
Simplify business environment controls with stronger governance processes	Improve operational effectiveness and enhance overall recording and reporting workflow
Streamline operational workflow with focus on cost management	Strengthen sustainable growth with productivity gains
Examine property investment opportunities for earnings growth	Acquire more strategic land important for future development



In discharging its functions and responsibilities, the Board is guided by the Board Charter made available on the Company's website [www.harnlen.com.my](http://www.harnlen.com.my). The Board Charter was last reviewed on 26 February 2018.

Presently, the Deputy Executive Chairman, Puan Sri Datin Chan Pui Leorn presides as Chairman of the Board at each Board Meeting while the Group Managing Director, Mr Low Quek Kiong assumes overall responsibilities for the day to day management of entire operations of the Group.

Their respective roles and responsibilities of the Chairman and Group Managing Director are clearly stated in the Board Charter to ensure balance of power and authority.

### Matters Reserved for the Board

The Board reserves full decision-making powers, amongst others, on the following matters (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to the Committees of the Board or Management):-

- a) Conflict of interest issues relating to a substantial shareholder or a Director;
- b) Material investments in capital projects;
- c) Annual budgets (including major capital commitments);
- d) Material corporate or financial exercise /restructuring;
- e) Declaration of Dividend and Directors' fees; and
- f) Material acquisitions and disposals of undertakings and properties not in the ordinary course of business.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### Separation of Power between Board and Management

The functional roles to oversees the day-to-day operations are performed efficiently and timely in ensuring its effectiveness is tabulated below:-

### Overview of the Roles on the Board

Role	Key Responsibilities
<b>Chairman</b>	The Chairman's role is to provide leadership to the Board and preside over Board meeting of Director to ensure smooth functioning of the Board in the interest of good corporate governance.
<b>Managing Director</b>	The Managing Director assumes overall responsibilities for the execution of the Group's strategies in line with the Board's direction and drives the Group's businesses and performance towards its vision and goals.
<b>Executive Director</b>	The Executive Director are responsible for the day-to-day management of financial and operational matters in accordance with the strategic direction established by the Board.
<b>Independent Director</b>	The Independent Director are responsible for acting as a check and balance on the Company's management by providing independent and unbiased view, in order to safeguard the assets of the Company and protecting the interest of shareholders as a whole.

### Company Secretaries

The Company Secretaries are Ms. Yong May Li (LS 0000295), Ms. Wong Chee Yin (MAICSA No. 7023530) and Ms. Fong Siew Kim (MAICSA No. 7022188) and all possess the required professional training and the relevant experience in corporate secretarial practice.

### Board Delegation

All matters not reserved for the Board are duly delegated to management to implement and supervise the progress of the outcome. Broadly, the management responsibilities are:-

- Assess the economic environment to develop its annual strategic plan with clear targets and goals;
- Develop the annual operating budget based on the annual strategic plan;
- Manage the human capital plan and implement productivity training to enhance performance expectations;
- Administer the authority mandate limits set by the Board;
- Adhere to relevant laws and regulations in the running of the day-to-day Group's operations;
- Adopt the risk management system relevant to support the Group's risk appetite approved by the Board;
- Establish, implement and update operating policies and procedures in line with regulatory and market developments; and
- Furnish the Board with timely, accurate and factual information for decision-making process to enable the Board to effectively discharge their legal responsibilities.

### Board Committees

The following Board Committees are formed to support the Board oversight role with clear written terms of reference and specific responsibilities to oversee the Group's affairs. The respective terms of reference of the Committees are approved by the Board and can be found on the Company's website [www.harnlen.com.my](http://www.harnlen.com.my).





## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Audit Committee	Nominating Committee	Remuneration Committee
<ul style="list-style-type: none"> <li>Oversee the Group's quarterly and annual financial reporting process.</li> <li>Review related party transactions and conflict of interest situations.</li> <li>Engage with the internal and external auditors.</li> </ul>	<ul style="list-style-type: none"> <li>To review the composition of the Board and plan for its progressive refreshing with regard to the balance and structure as well as succession planning.</li> <li>To perform Board and Board Committee's evaluation assessment.</li> </ul>	<ul style="list-style-type: none"> <li>To determine the framework, policy and levels of remuneration and make recommendations to the Board on the remuneration of Board Members.</li> </ul>

### Board and Committees Attendance

Directors are committed to allocate sufficient time to discharge their responsibilities effectively and to prepare adequately for Company's Board and Committee meetings.

Attendance at Board and Committee meetings during the financial year ended 31 December 2017 (FY 2017) is set out in the table below:-

Name of Directors	Board	Audit	Nominating	Remuneration
<b>Executive Directors</b>				
Puan Sri Datin Chan Pui Leorn	7/7	-	-	-
Mr Low Quek Kiong	7/7	-	-	-
Mr Low Kueck Shin	7/7	-	-	-
Mr Low Kwek Lee	6/7	-	-	-
Mr Low Kuek Kong	7/7	-	-	-
Mr Lee Chon Sing	7/7	-	-	1/1
Mr Low Kok Yong	7/7	-	-	-
Mr Low Kok Yaow	7/7	-	-	-
<b>Non-Executive Directors</b>				
Mr Loh Wann Yuan	7/7	7/7	1/1	1/1
Brig.Jen.(B) Dato' Ali Bin Hj. Musa	7/7	7/7	1/1	1/1
Mr Law Piang Woon	7/7	7/7	1/1	-
En Mohamed Akwal Bin Sultan Mohamad	7/7	7/7	1/1	1/1



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### EFFECTIVENESS

#### Board Activities in Year 2017

The Board has considered the following agenda matters covering sustainability, governance management and risk management during the period under review as follows:-

1. Appointed external consultants to set up the sustainability framework and establish a Materiality Assessment Matrix;
2. Reviewed and adopted the Annual Operating Budget;
3. Monitored the conduct of the Group's business to evaluate whether the business is being properly managed;
4. Update on risk profiles for mitigation actions;
5. Approved major capital expenditure;
6. Approved quarterly interim financial results and audited financial statements;
7. Approved the acquisition of properties to increase the Group's property asset portfolio; and
8. Assessed the adequacy and integrity of the Group's internal controls and management systems, including compliance framework with applicable laws, regulations, rules, directives and guidelines.

#### Looking Ahead To 2018 Board will:-

- Identify the critical success factors for the business plan moving forward based on market dynamics
- Refresh the Board composition and senior management succession planning

#### Board Committees Activities in Year 2017

Summarised below the activities undertaken for the period under review:-

Audit Committee	Nominating Committee	Remuneration Committee
<ul style="list-style-type: none"> <li>• Assess the disclosure compliance for quarterly and annual report reporting.</li> <li>• Review any related party transactions and recurrent related party transactions.</li> <li>• Determine the effectiveness of the internal audit function and the external audit performance .</li> <li>• Chairman report the meeting critical findings to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Perform Directors and Board and Board Committee evaluation assessment.</li> <li>• Assess the size, structure of the Board and composition of Board Committees.</li> <li>• Identify and recommend the retiring Directors standing for re-election at AGM in 2017.</li> <li>• Assess Independent Directors' independence.</li> <li>• Recommend training for directors the external audit performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Review and recommend Executive Directors' remuneration package.</li> <li>• Review and recommend Directors' fees and benefits payable for non-executive Directors.</li> </ul>

#### Looking Ahead To 2018 Board Committees will:-

- Assess the balance, experience and skills of the Board composition with gender diversity consideration
- Monitor the succession planning roadmap for key positions
- Formalisation of remuneration policy



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### Board Composition and Independence

The Board as at 31 March 2018 comprises twelve (12) members, of whom eight (8) members are Executive Directors and four (4) members are Independent Non-Executive Directors. The Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires a minimum of one-third (1/3) of the Board to be Independent Directors.

Summarised below is the Company's Board profile:-

As at 31 March 2018	Executive	Independent Non-Executive
<b>Board Composition</b>	67%	33%
<b>Board Gender Diversity (Female)</b>	8%	0%
<b>Years of Tenure in Service</b>		
Below 9 Years	25%	8%
Above 9 Years	42%	25%
<b>Board Ethic Diversity</b>		
Bumiputera	0%	50%
Chinese	100%	50%

### New Board Appointment

In reviewing and recommending to the Board any new Director appointments, the Nominating Committee considers the following requirements:-

- the candidate's independence, in the case of an Independent Non-Executive Director;
- the composition requirements for the Board and Board Committees;
- the candidate's age, integrity, educational background, experience, skills and industry knowledge; and
- the candidate's time commitment.

There are no changes to the composition of the Board in FY 2017.

### Board Information

The Company Secretaries are responsible for the timely despatch of Board and Board Committees' meeting information between senior management and Directors within reasonable period prior to the meeting to be held. With the consent of the Chairman, Directors are entitled to obtain professional advice at the expense of the Company, to perform their duties with due care and diligence.

### Board Evaluation

Annual Board evaluation exercise is carried out on a yearly basis covering the following aspects:-

- Self-Assessment by Directors;
- Director's Peer Evaluation;
- Board and Board Committees; and
- Assessment of independence Directors



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

The assessment criteria used were their contribution, calibre, knowledge in industry, time commitment to discharge duties as directors and committee members and understanding of their roles and responsibilities.

Based on the assessment of the independence of the INED by the NC, the Board is satisfied with the level of independence demonstrated by them and the following justifications :

- i) their vast experience in legal practice, banking, public sector administration, finance, tax and accounting;
- ii) their long tenure do not in any way prejudice with their exercise of objective judgment and expressing their views as they continued to question on the rationale to acquire non-core assets during the year;
- iii) ensured effective check and balance in the proceedings of the Board and Committee Meetings;
- iv) devoted sufficient time and attention to their professional obligations. During the year they have attended all Audit Committee and Board meetings and attended seminars to update themselves;
- v) developed deep insight into the Group's businesses and operations and therefore, they will be able to provide invaluable insights /contributions to the Group; and
- vi) There is no potential conflict of interest that the INEDs could have with the Company as they have not as set entered into any contract or transaction with the Company or its subsidiaries within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Bursa Malaysia Main Market Listing Requirements.

The Board recommended that the INED be retained as Independent Director based on the above mentioned justifications.

### Re-election and Re-appointment of Directors

In accordance with the Company's constitution, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the next Annual General Meeting ("AGM") after their appointment. The Constitution also provides that at least one-third (1/3) of the remaining Directors be subject to re-election by rotation at each AGM provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

In accordance with the Constitution, Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kok Yaow will retire and offer themselves for re-election at the Company's AGM on 27 June 2018. The profiles of the Directors who are due for re-election are set out on pages 14 and 19.

When considering the nomination for the re-election of Directors, the Nominating Committee takes into account the Director's performance, attendance records and time commitment.

### Business Ethics, Integrity and Whistleblowing

The Company's Code of Ethics and Conduct sets forth the standard of conduct and culture required to maintain trust and build credibility in furthering our reputation for good business practices.

The Code of Ethic and Conduct is detailed in the Board Charter which is available on the Company's official website under [www.harnlen.com.my](http://www.harnlen.com.my).

The Whistleblowing Policy is to make available an avenue for all employees and members of the public to raise concerns about any improper conduct within the Group's operations.

The Whistleblowing Policy can be referenced online at [www.harnlen.com.my](http://www.harnlen.com.my). Should there be any concern or query pertaining to the Group, Mr Low Quek Kiong, Managing Director and/or Mr Loh Wann Yuan, Senior Independent Non-Executive Director will be the main contact person.





## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### Board Development

During the year under review the Directors attended the following trainings as follows:-

Director	Course Title	Date
Puan Sri Datin Chan Pui Leorn	1) Updates on The New Malaysian Code on Corporate Governance 2017 and Companies Act 2016	09-08-2017
	2) Training on MFRS 141 - New Agriculture Standards	06-12-2017
Mr Low Quek Kiong	1) Updates on The New Malaysian Code on Corporate Governance 2017 and Companies Act 2016	09-08-2017
	2) Training on MFRS 141 - New Agriculture Standards	06-12-2017
Mr Low Kueck Shin	1) No Par Value & Issuance of shares & other securities	02-03-2017
	2) Updates on The New Malaysian Code on Corporate Governance 2017 and Companies Act 2016	09-08-2017
	3) Roles and responsibilities of directors, Companies Secretaries & auditors & compliance requirements under the companies Act 2016	05-10-2017
	4) Training on MFRS 141 - New Agriculture Standards	06-12-2017
Mr Low Kwek Lee	1) Updates on The New Malaysian Code on Corporate Governance 2017 and Companies Act 2016	09-08-2017
	2) Advocacy session on corporate Disclosure for directors & principal officers of listed issuers	31-10-2017
	3) Training on MFRS 141 - New Agriculture Standards	06-12-2017
Mr Low Kuek Kong	1) Updates on The New Malaysian Code on Corporate Governance 2017 and Companies Act 2016	09-08-2017
	2) Training on MFRS 141 - New Agriculture Standards	06-12-2017
Mr Lee Chon Sing	1) Updates on The New Malaysian Code on Corporate Governance 2017 and Companies Act 2016	09-08-2017
	2) Training on MFRS 141 - New Agriculture Standards	06-12-2017
Mr Loh Wann Yuan	1) Company Law Workshop 2017	15-03-2017 & 16-03-2017
	2) Malaysia Code On Corporate Governance Dimension (Roadshow)	06-09-2017
	3) Training on MFRS 141 - New Agriculture Standards	06-12-2017
Brig Jen (B) Dato' Ali Bin Hj Musa	1) Malaysia Code On Corporate Governance Dimension (Roadshow)	06-09-2017
Mr Law Piang Woon	1) Training on MFRS 141 - New Agriculture Standards	06-12-2017
	2) Latest Developments MFRS 15 & MFRS 16	11-12-2017
	3) Recent Tax Cases 2017	14-12-2017
Mr Low Kok Yong	1) Updates on The New Malaysian Code on Corporate Governance 2017 and Companies Act 2016	09-08-2017
	2) Training on MFRS 141 - New Agriculture Standard	06-12-2017
En Mohamed Akwal Bin Sultan Mohamad	1) Companies Act 2016	08-08-2017
	2) Case Study Workshop for Independent Directors	09-11-2017
Mr Low Kok Yaow	1) Updates on The New Malaysian Code on Corporate Governance 2017 and Companies Act 2016	09-08-2017
	2) Training on MFRS 141 - New Agriculture Standard	06-12-2017



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### Remuneration of Directors and Senior Management

The remuneration of the Directors are tabulated below for FY 2017 :-

Name of Directors	Salaries & Bonus RM	Board Fees RM	Allowance RM	Benefits-in-kind RM	Total RM
Puan Sri Datin Chan Pui Leorn	910,000	-	60,000	51,400	1,021,400
Mr Low Quek Kiong	900,000	-	3,000	31,600	934,600
Mr Low Kueck Shin	900,000	-	-	15,500	915,500
Mr Low Kwek Lee	518,000	-	10,000	13,325	541,325
Mr Low Kuek Kong	555,000	-	8,000	17,400	580,400
Mr Lee Chon Sing	518,000	-	9,000	13,325	540,325
Mr Low Kok Yong	658,000	-	3,000	-	661,000
Mr Low Kok Yaow	518,000	-	-	23,950	541,950
Mr Loh Wann Yuan	-	50,000	51,000	-	101,000
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	50,000	48,000	-	98,000
Mr Law Piang Woon	-	50,000	36,000	-	86,000
En Mohamed Akwal Bin Sultan Mohamad	-	50,000	46,000	-	96,000
<b>Total</b>	<b>5,477,000</b>	<b>200,000</b>	<b>274,000</b>	<b>166,500</b>	<b>6,117,500</b>

The top five (5) Senior Management of the Company whose total remuneration (including benefits-in-kind and other emoluments) falls within the following bands are as follows :

Range of Remuneration	Key Senior Management
RM 50,001 to RM100,000	1
RM100,001 to RM150,000	1
RM300,001 to RM350,000	1
RM400,001 to RM450,000	1
RM500,001 to RM550,000	1

### Sustainability

The Board is mindful of the importance of sustainable development for the Group, using the Economic, Environmental and Social (EES) principles as the core framework and the Global Reporting Initiatives (GRI) G4 Guidelines as a guide into the core values, policy statements and work practices in its business operations.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



The Sustainability Report 2017 is on pages 37 to 52.

### ACCOUNTABILITY AND EFFECTIVE AUDIT

#### Audit Committee

The Audit Committee report is set out in pages 53 to 54.

#### External Auditor

The Audit Committee held two (2) private sessions with the external auditors, Messrs Deloitte PLT, without the presence of the Executive Directors and management. The external auditors are invited to attend the Company's AGM and are available to answer any questions from the shareholders.

The non-audit fee incurred for services rendered to the Group by Messrs Deloitte PLT for the year 2017 was RM142,000 and does not compromise the auditors' independence.

#### Risk Management and Internal Audit

The Board acknowledges its responsibility for ensuring a sound system of risk management and internal control processes to manage the Group's affairs. The Statement on Risk Management & Internal Control outline and describe the policies and procedures adopted by the Group for long-term business sustainability is provided on pages 55 to 58

### INTEGRITY IN CORPORATE REPORTING

#### 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.

#### Corporate Disclosure Policies

The Board reviews and approve all quarterly and full year financial statements, including all other material and important announcements within the mandatory timeline are disseminated and released via Bursa Link for effective communications to the public.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### RELATIONS WITH STAKEHOLDERS

#### Stakeholders Engagement

The Board places considerable emphasis on the need to secure timely feedbacks in relation to risk management issues that can have an impact on the Group's sustainability efforts and reputation.

Accordingly, essential information on the stakeholder engagement framework can be obtain on page 41 of the Sustainability Report.

#### Communication with Shareholders and Information Technology

The Company maintain an open and transparent communication with its shareholders, institutional investors and the investing public with the objective of providing clear and complete information on performance and financial position.

The AGM is the principal avenue for dialogue with shareholders, who are given the opportunity to enquire and seek clarification on the operations and financial performance of Harn Len Group.

The Company's website [www.harnlen.com.my](http://www.harnlen.com.my) is the key communication channel for shareholders and the general public to access to corporate information, annual reports and announcements related to the Group's developments.

This Corporate Governance Overview Statement was approved by the Board on 23 April 2018.





## SUSTAINABILITY REPORT

### ABOUT THIS STATEMENT

Harn Len Corporation Bhd (“Harn Len” or “the Company”) strives to show its continuous commitment to sustainable development by presenting our second Sustainability Statement to disclose our efforts throughout our business operations for FY2017.

This report adheres to the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad which requests for a detailed sustainability disclosure subsequent to the Sustainability Statement that we prepared in 2016. We employ the Global Reporting Initiatives (“GRI”) G4 Guidelines as a framework to assist us to identify our economic, environmental and social (“EES”) risk and opportunities relevant to our business operations

#### Scope of Statement

We operate in three main states, which are Pahang, Johor and Sarawak. For this year of reporting, we selected two of our main estates to represent our oil palm operations data. The selected estates are the Lian Hup estate located in Pahang and the Masranti Estate located in Sarawak. Both these estates provide a clear representation of Harn Len’s full business oil palm supply chain as their operations include milling activities. This report will extend its information disclosure to include detailed environmental and social data from the following areas;

- *Lian Hup Estate (2,124 Ha)*
- *Lian Hup Oil Mill*
- *Masranti Estate (5,196 Ha)*
- *Masranti Oil Mill*

All human resources and governing policies data will be represented from our Corporate and Business operations in Johor and Pahang.

### Sustainability Vision

At Harn Len, we recognise that responsible management practices of the Company’s business activities are the driving force that promotes sustainability. By considering the economic, environmental and social perspectives of our business, we hope to encourage better change that would improve our business longevity and the lives of those around us.



## SUSTAINABILITY REPORT (Cont'd)

### Sustainability Strategy

To maintain the prosperity and longevity of our business, we believe that it is essential to consider the needs of our stakeholders and implement practices that promote sustainable development for our business operations. In line with the growth of our agricultural practices and overall business ventures, we have expanded our FY2016 Sustainability Focus to include more detailed long-term targets for the Company and rebranded these targets to become the Company's sustainability strategy.

Our overarching sustainability strategy is built on 3 pillars:





## SUSTAINABILITY REPORT (Cont'd)



### Our Agricultural Business in Brief

Harn Len's oil palm plantation estates are located in the biodiverse environment of Pahang and Sarawak. Established in January 2000, our principal agricultural activities include oil palm plantation operations and oil milling.

Our plantation land bank extends to approximately 16,880 hectares, of which most of our estates are situated in Pahang and Sarawak. The oil palm trees that we cultivate have a distribution of 0.5% past prime (>20 years old) palms across 83 hectares, 60.7% prime (8-19 years old) palms across 10,247 hectares of land, 6.3% young (4-7 years old) palms across 1,057 hectares and 32.5% immature (0-3 years old) palms across 5,493 hectares.

The Lian Hup Oil Mill has a processing capacity of 40 metric tonnes of fresh oil palm fruit bunches per hour, while the Masranti Oil mill processes up to 60 metric tonnes of fresh fruit bunch from our harvested fruits.

We anchor our business conduct with strict ethical values to ensure that the rights of our workers are protected without compromising our business sustainability.



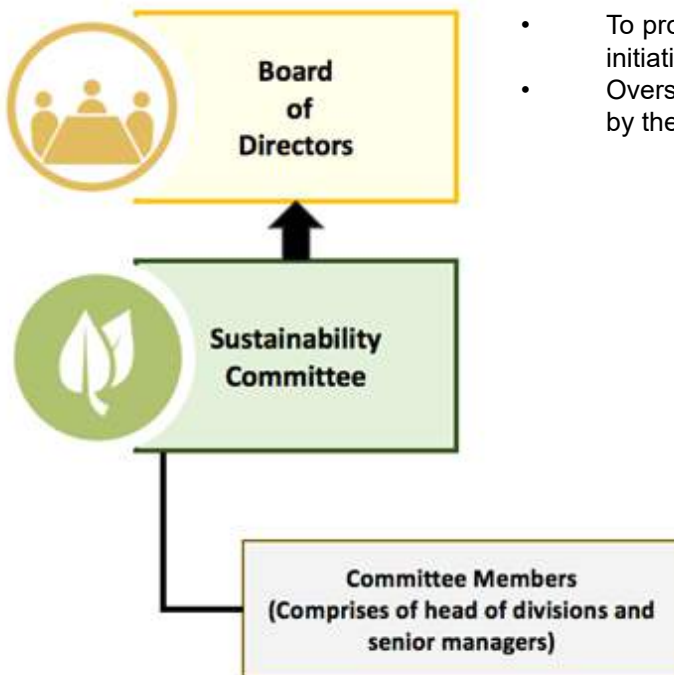


## SUSTAINABILITY REPORT (Cont'd)

### Governing Our Sustainability Efforts

Efforts to incorporate sustainability measures into our daily business practices will be governed by an ad-hoc Sustainability Committee. Our sustainability governance structure comprises the **Board of Directors (“the Board”)** and members of the **Sustainability Committee (“SC”)**. The **Board** maintains its high professional and ethical standards by overseeing the ground sustainability efforts carried out by the **SC**. The roles and responsibilities of our **SC** is disclosed below:

#### Harn Len’s Sustainability Governance Structure



- To provide the final approval on sustainability-related policies, initiatives and identified material issues related to the Company
- Oversee overall progress of sustainability efforts implemented by the SC
  - Led by the Chairman who reports to the Board on the initiatives of the SC
  - Recommend sustainability related policies to be implemented throughout the Company
  - Periodically review the implemented sustainability initiatives and policies
  - Recommend amendments to the sustainability policies and initiatives
  - Recommend sustainability matters identified as material to the Company
  - Highlight any material non-compliance issues to the Board
  - Review and monitor the Company’s enforcement of the policies with respect to maintaining compliance with applicable jurisdictional laws, regulation, and policies
  - Monitor and report to the Board on performance against the approved targets
  - Present a brief summary report to the Board following each SC meeting





## SUSTAINABILITY REPORT (Cont'd)

### Maintaining Good Stakeholders Engagement

Stakeholders are those who are most impacted or have significant influence on our business operations. By prioritising open and honest communication with our stakeholders, we identify ways to increase our business value chain while contributing to the local community and protecting our environment.

Areas of Interest	Stakeholders	Engagement Methods
<ul style="list-style-type: none"> <li>Sustainable and maximization of shareholder value</li> <li>Financial performance and business strategy</li> </ul>	<p><b>Investors</b></p>	<ul style="list-style-type: none"> <li>Annual general meetings</li> <li>Annual reports</li> <li>Company website</li> </ul>
<ul style="list-style-type: none"> <li>Performance management</li> <li>Learning and development</li> <li>Industrial harmony</li> <li>Equitable remuneration</li> </ul>	<p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>Circulation of internal memo</li> <li>Management meetings</li> <li>Performance appraisals</li> <li>Training and product knowledge</li> </ul>
<ul style="list-style-type: none"> <li>Efficient complaints resolution</li> <li>Customer-company relationship management</li> <li>Safety and security</li> </ul>	<p><b>Customers (Internal or External buyers or JV partners)</b></p>	<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>Labour practices</li> <li>Occupational safety and health</li> <li>Environmental management and compliance</li> </ul>	<p><b>Regulatory Agencies and Statutory Bodies</b></p>	<ul style="list-style-type: none"> <li>Inspection by local authority</li> <li>Annual reports</li> <li>General meetings with managers and local regulators</li> <li>Direct meetings</li> </ul>
<ul style="list-style-type: none"> <li>Transparent procurement practices</li> <li>Service and delivery</li> <li>Fair contract terms</li> </ul>	<p><b>Suppliers</b></p>	<ul style="list-style-type: none"> <li>Evaluation and performance reviews</li> <li>Fair contract negotiation</li> <li>Vendor registration</li> </ul>
<ul style="list-style-type: none"> <li>Social issues</li> <li>Transparency and accountability to the communities</li> <li>Environmental impacts</li> </ul>	<p><b>Local Communities</b></p>	<ul style="list-style-type: none"> <li>Community engagement</li> <li>CSR activities</li> <li>Festival season celebration and function with local communities</li> </ul>

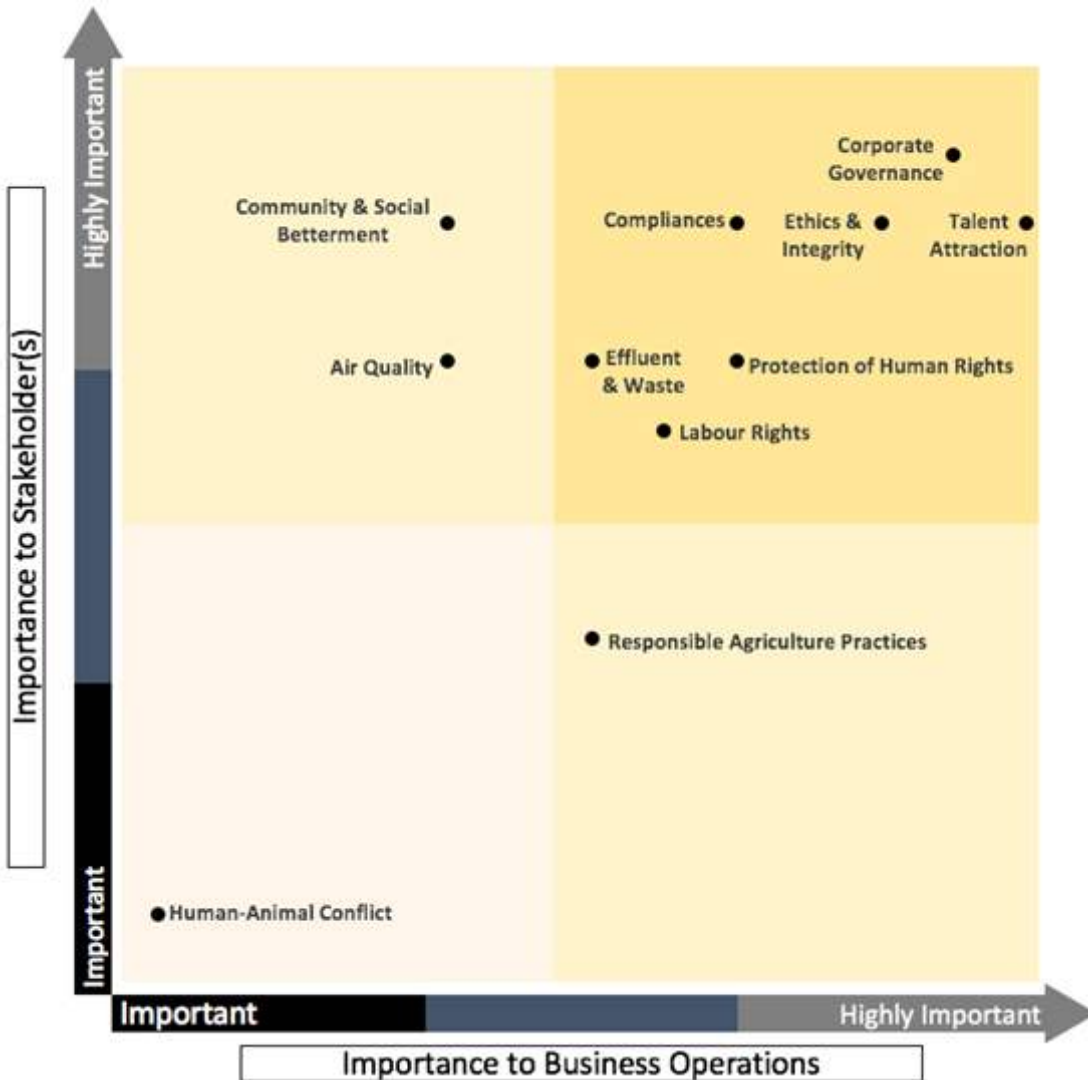


## SUSTAINABILITY REPORT (Cont'd)

### Our Materiality Assessment

Material sustainability matters are individual factors that may impact the Company's EES risks. These matters can also reveal the level of concern that our stakeholders have with regards to certain aspects of our business operations. We engaged in an internal discussion with our **SC** to re-evaluate the material matters we identified in FY2016. For FY2017, we further expanded our list of materiality issues from seven (7) material matters (FY2016) to 11 matters.

Our approach to ranking the identified material sustainability matters includes an assessment process that was carried out between the **SC** and our internal stakeholders. The material sustainability matters were then prioritised based on their impacts on our business operations as well as their influence on our stakeholders. Results of the assessment are illustrated in the materiality matrix presented below.





## SUSTAINABILITY REPORT (Cont'd)

The material sustainability matters representative of the Company's EES risks are mapped to the corresponding aspects listed under the GRI G4 Guidelines as well as to our stakeholders' interests.

Material Sustainability Issues	Corresponding GRI Aspects	Stakeholder(s) Interests
<b>Economic Indicators</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 Indicators</b>		
<b>Air Quality</b>	Emissions	Local Communities and Regulatory Agencies
<b>Effluent &amp; Waste</b>	Effluent and Waste	Local Communities, Investors and Regulatory Agencies
<b>Responsible Agricultural Practices</b>	Compliance	Regulatory Agencies, Investors and Customers
<b>Human-Animal Conflict</b>	Biodiversity	Local Communities, Investors and Regulatory Agencies
<b>Social Indicators</b>		
<b>Community &amp; Social Betterment</b>	Local Communities	Local Communities
<b>Labour Rights</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>Compliances</b>	Compliance	Regulatory Agencies, Investors and Customers
<b>Talent Attraction</b>	Diversity and Equal Opportunity	Employees, Regulatory Agencies and Suppliers and Contractors

### Maintaining Sustainable Economic Value

As our Company continues to grow, we dedicate our efforts towards enhancing Malaysia's agricultural economy by incorporating good business conduct and governance. Our sustainability efforts are carried out to ensure that we continuously strive towards achieving long-term success for our business.

### Governing Our Business

To effectively manage and conduct our business operations, a series of corporate policies and regulations issues by the Malaysian government strictly governs the way we conduct our operations. Our stakeholders are also assured of the integrity and responsibility of Harn Len through compliance to these regulatory standards that protects our business from EES risks.

### Code of Ethics and Conduct

Harn Len's Code of Ethics and Conduct ("the Code") outlines a set of principles and standards of the Company to ensure that continuously strive towards achieving exemplary business practices. The Code is implemented as part of the Company's corporate enhancement programme which reflects the need for effective corporate governance to sustain our Company's professionalism and excellence.



## SUSTAINABILITY REPORT (Cont'd)

### Whistleblowing Policy

The Company has formulated a whistleblowing policy to encourage honest and transparent practices for our business practices. Our employees are given the opportunity to disclose any business misconduct or malpractice that occurs within the Company. The Whistleblowing Policy also provides a safe channel for reporting to ensure that our employees are protected if a report has been formally lodged.

*"The Board and the Management of the Group must maintain a workplace that practises good corporate governance and upholds integrity in all its operational activities and business dealings. All employees and stakeholders (i.e. shareholders/suppliers/customers) are encouraged to report genuine concerns about unethical behaviour, malpractices, illegal acts of failure to comply with regulatory requirements without fear of reprisal should they act in good faith when reporting such concerns." – Harn Len Corporation Bhd's Whistleblowing Policy, available on the Company's website.*

### Malaysia Minimum Wages Order 2016 and Employment Act 1955

Our operations comply with the stipulated wage regulations set out by the Malaysia Minimum Wages Order 2016 and Employment Act 1955.

### Protecting Our Agricultural Operations and the Environment

Quarterly Environmental Monitoring Reports (EMR) are prepared for all our operational sites to identify and address any environmental issue that may pose a threat to the surrounding environment or negatively impact our business operations. Our future plans include the establishment of a biogas plant on our estate grounds to produce clean and renewable energy for our operations.

#### Responsible Agricultural Practices

- **Paraquat usage**

Paraquat was a commonly used herbicide in oil palm plantations to aggressively target uncontrolled weed growth. The World Health Organisation has declared paraquat as an extremely harmful chemical that causes detrimental impact to human health and the environment.

The use of paraquat is strictly controlled for our plantation operations in Peninsular Malaysia, while the chemical is not used in our Sarawak estates. It is our practice to prohibit the use of paraquat at our estates. However, for recalcitrant weeds, we use small quantities in a very controlled manner only in areas where there is minimal likelihood of the chemical leaching into waterways. Our workers are supplied with a complete set of Personal Protective Equipment which includes gloves, goggles, face mask and boots to avoid any contact with the chemical.

- **Agrochemical use**

As part of our fertilising or pest management process when growing the oil palm trees, we do not carry out blanket spraying across the estate to avoid extensive environmental pollution.

The example chemicals listed in the given table are used sparingly and only when it is necessary to do so. We take appropriate steps to ensure that the fertilisers we use are applied at an optimum rate to avoid excessive usage and ground contamination. Our chemicals are also well labelled and stored using the standards set out by their respective Material Safety Data Sheet and DOE requirements.

Examples of Chemicals Used for Agricultural Purposes
------------------------------------------------------

- |                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Activator</li> <li>• Glyphosate IPA</li> <li>• DIURON+MSMA</li> <li>• Anfuran 3G</li> </ul> |
|--------------------------------------------------------------------------------------------------------------------------------------|





## SUSTAINABILITY REPORT (Cont'd)

### Integrated Pest Management

We practice integrated pest management (IPM) as an alternative method to pesticide usage at our plantation estates. Prolonged chemical usage both negatively impacts the environment and builds pest resilience which will eventually cause the chemicals to become ineffective. The IPM approach uses the natural predator-prey relationship of animals to manage pest population within a given area.

IPM is used to control the rat population at our estates. We use Barn Owls (*Tyto Alba*) as a method of biological control due to the rat being its natural prey. This further ensures that chemical pesticides are used minimally and reduces the likelihood of environmental pollution on our estate grounds.

#### Biological Control Methods



- Barn Owl (*Tyto Alba*)
- EFB mulching

To minimise the breeding of the Rhinoceros Beetles (*Oryctes rhinoceros*) which is a pest, on our oil palm trees, we conduct complete mulching of our EFB. Most of our EFBs are mulched and spread onsite as fertilisers. However, the Rhinoceros Beetles are known to populate areas where the EFB mulch is not cut and distributed appropriately.

### Monitoring Water Consumption



Natural water sources are a non-renewable resource. We initiate our efforts to safeguard natural water sources by recording our annual water consumption levels on a monthly basis.

To avoid any water wastage practices, we conduct monthly or fortnightly spot checks on the estate houses occupied by our workers. This is to ensure that any water leakages or wastage practices are addressed promptly where the water supply will be cut off should there be any instances of wastage behaviour or leakages.

### Conserving Biodiversity

Our plantation estates are bordered by acres of primary and secondary rain forests with high conservation value. We further extend our sustainability commitment by pledging not to develop our business operation in environmentally sensitive areas such as primary forests, peat lands, wildlife reserves or high conservation value areas. As a common practice, we establish a 15-meter buffer region between our plantation estates and the surrounding riparian areas to avoid any encroachment into environmentally sensitive areas.

Checklists recording the types of fauna detected at our Masranti Estate and Lian Hup Estate are maintained to ensure that our business operations does not negatively impact the faunal diversity within our operating sites.

Examples of Fauna Species Identified	
Masranti Estate	Lian Hup Estate
<ul style="list-style-type: none"> <li>• Common palm civet (<i>Paradoxurus hermaphroditus</i>)</li> <li>• Pig-tailed macaque (<i>Macaca nemestrina</i>)</li> <li>• Flat-headed cat (<i>Prionailurus planiceps</i>)</li> <li>• Plantain squirrel (<i>Callosciurus notatus</i>)</li> <li>• Cinnamon bittern (<i>Ixobrychus cinnamomeus</i>)</li> <li>• Purple heron (<i>Ardea purpurea</i>)</li> <li>• Oriental magpie-robin (<i>Copsychus saularis</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• Silvery lutung (<i>Trachypithecus cristatus</i>)</li> <li>• Long-tailed macaque (<i>Macaca fascicularis</i>)</li> <li>• Malayan porcupine (<i>Hystrix brachyuran</i>)</li> <li>• Black-winged kite (<i>Elanus caeruleus</i>)</li> <li>• Barn owl (<i>Tyto alba</i>)</li> <li>• Brown wood owl (<i>Strix leptogrammica</i>)</li> <li>• Cattle egret (<i>Bubulcus coromandus</i>)</li> </ul>



## SUSTAINABILITY REPORT (Cont'd)

By closely monitoring the types of animals detected on our estates, we remain aware of the level of species diversity within our estate grounds and will be able to focus our efforts on ensuring that the level of diversity does not decline.

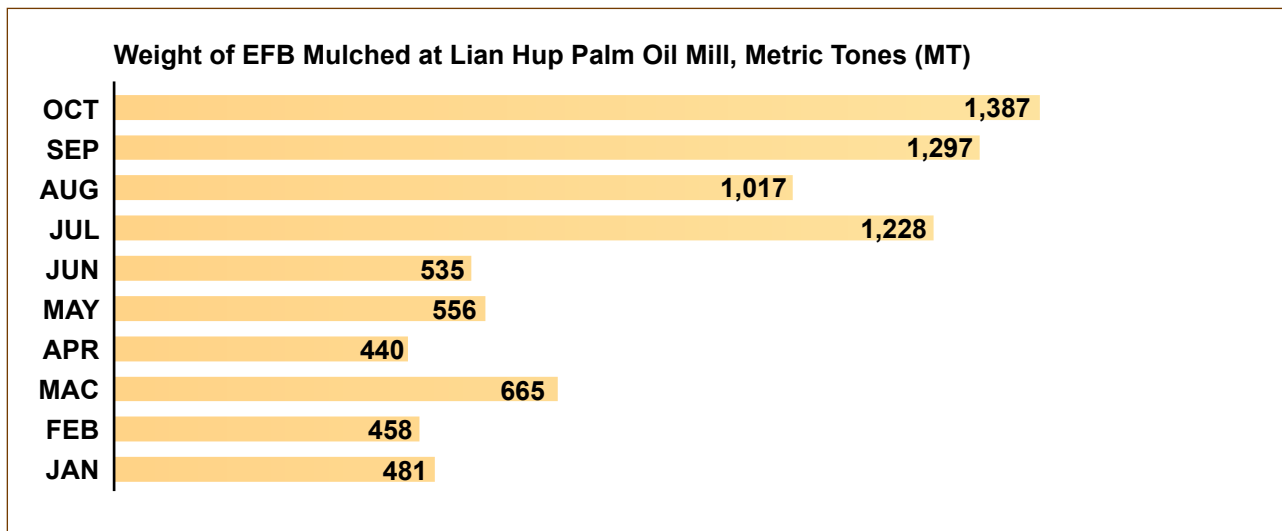


### Responsible Waste Management

Operating in the agricultural industry produces significant amount of biomass waste. At our estates, our operations include daily handling of fresh fruit bunches (“FFB”) that have been harvested from our oil palm trees, as well as empty fruit bunches (“EFB”) and palm oil mill effluent (“POME”) produced from FFB processing. To reduce our contribution to waste disposal at landfills, we actively recycle our EFB and employ responsible scheduled waste disposal methods.

Our POME production is managed through responsible land irrigation for estates in Peninsular Malaysia and a polishing plant, a holding pond and a desludging pond installed at our Sarawak estate. The processed effluent waste is disposed responsibly into waterways after the polishing process or irrigated on to our estate grounds to avoid waterway or drain water contamination.

- Recycling our EFB**  
 At Harn Len, we recycle most of our EFB through mulching to reduce our biomass waste and contribution to landfills.



To ensure that we responsibly manage our waste output, we keep a record of the monthly weight of EFB produced. These records also include details of the amount of EFB reused as mulch as illustrated in the graph above. By adhering to this waste disposal practice, the EFB produced at our estates do not contribute to the landfills and therefore minimises the risk of adverse environmental impacts.

- Recycling our mill effluent**  
 The POME produced as a result of our mill operations are retained in a holding pond to avoid drain-water or river-water contamination. We reduce our wastewater output by irrigating processed POME throughout our estate ground as fertilisers. The detrimental impact of wastewater pollution to our natural river systems is also minimised through this method of POME recycling.



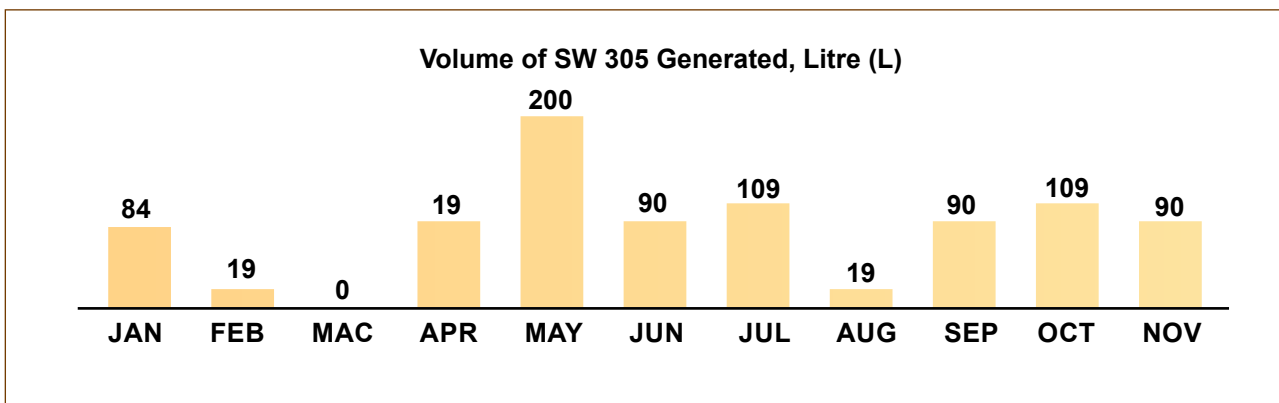
## SUSTAINABILITY REPORT (Cont'd)

- Monitoring our scheduled waste**

In line with the requirements with Malaysia's Department of Environment ("DOE"), we monitor, store and dispose our scheduled waste in the manner stipulated by the Environmental Quality (Scheduled Wastes) Regulations 2005<sup>1</sup>.

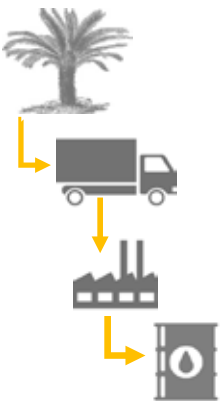
Our records include the type of scheduled waste we produce (SW 305: Spent lubricating oil), the oil usage, the volume of oil disposed and the oil storage location on our estate grounds. The lubricating oil is used to lubricate our mill chains to ensure that our mill operations continue to run smoothly and efficiently.

<sup>1</sup> The Regulation lists responsible practices for scheduled waste which includes, the types of waste classified as scheduled waste, the method of disposal, storage, labelling etc.



Organised record-keeping and monitoring of our scheduled waste is a step towards maintaining adherence to the regulations set out by DOE and preserving environmental stewardship.

### Responsible Supply Chain Management



At an operational level, our estates extend over hundreds of acres of land and measuring the efficiency of our growing and harvesting practices is an ongoing challenge. To address this matter, for our Sarawak operations, we equip our harvesters with a portable GPS device to measure and track the efficiency of their harvesting activities.

The accessibility across our estate grounds were further improved by levelling steep slopes and heels that would frequently hinder our workers from accessing the area. Our efforts are dedicated towards optimising the growing and harvesting operations carried out in our estates to facilitate sustainable operational practices and further enhance our business supply chain.



## SUSTAINABILITY REPORT (Cont'd)

### Maintaining a Safe Working Culture



At Harn Len, we consider safety as one of the key components that ensures the sustainability of our business. We consistently keep track of the accidents that occur during our operations and strive towards reducing the number of these accidents and work-related safety risks. For FY2017, we recorded zero accidents, extending our “Accident Free Year” record to three concurrent years.

Further improvements to our occupational health and safety standards were carried out by establishing respective Health and Safety Committees at each plantation estate. The number of employees represented in each respective committee varies based on the number of workers at each plantation.

#### **Personal Protective Equipment**

Compliance to the use of Personal Protective Equipment (“PPE”) on our estate grounds is strictly implemented and monitored across all our estates. Each worker is supplied with PPE equipment that are relevant to their job scope

PPE at Harn Len	
• Safety helmet	• Safety goggles
• Safety shoes	• Respirator
• Apron	• Gloves
• Ear plugs	• Sickle and Chisel sheath

#### **Fire Safety**

Our safety assurance to our employees extends into fire safety management. We conduct timely fire certificate renewals for our fire extinguishers via fire equipment audits carried out by external vendors.

#### **Chemical Handling Safety**

Fertilisers and pesticides are frequently used to produce high quality fruit bunches. The chemicals utilised by Harn Len are supported by material safety data sheets (“MSDS”) which lists down its chemical components and hazardous traits. Our chemical fertilisers and pesticides are manually applied by spraying crews who are well equipped with the appropriate PPE that ensures full body coverage.

We also employ supervisors to monitor the spraying activity to ensure that our employees handle the chemical products correctly and safely. Our chemical management system includes responsible storage of all estate chemicals in a designated store to reduce the likelihood of chemical contamination on our estate grounds.

### Protecting Our Employee Rights and Developing Talents

At our Company, we realise that our employees form the foundation of the Company. Therefore, we remain committed to continuously develop our human resources. We prioritise local employment, gender inclusivity and age diversity to ensure that our employees are given fair and equal chance to build their professional background and contribute to the Company’s growth.

#### **Hiring Malaysians**

Our senior manager positions at our Johor Bahru corporate office are occupied by Malaysians who are qualified and skilled to lead our workforce. Maintaining Malaysia’s rich cultural diversity is a priority at Harn Len, and we achieve that by hiring local senior employees to lead our business operations with the values and culture of our people.

#### **Equal Employee Distribution**

Providing equal opportunity and developing employee talent are two of several top priorities that the Company strives to excel at. We firmly believe that by maintaining gender and age diversity, we can cultivate a healthy and conducive working environment for our employees.



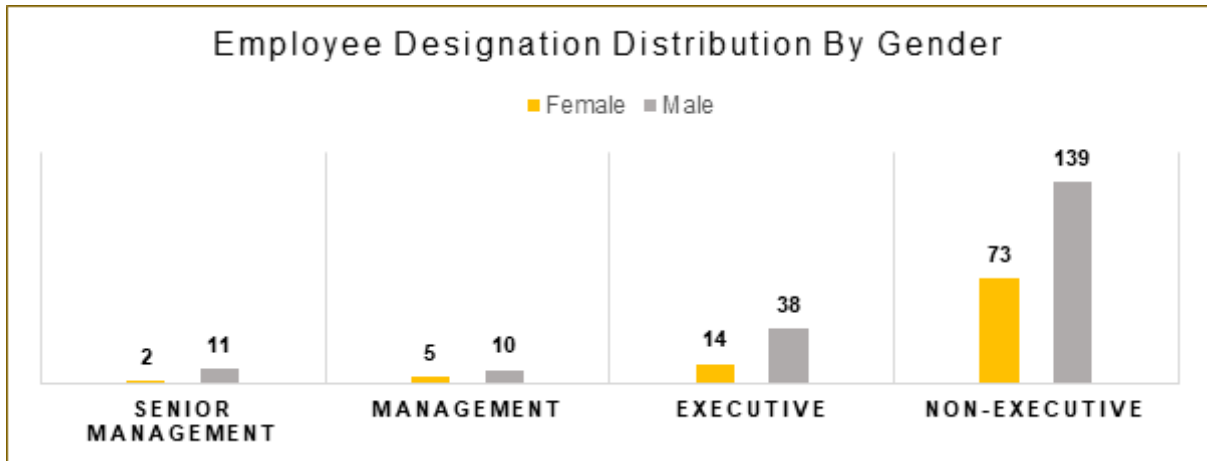


## SUSTAINABILITY REPORT (Cont'd)

The gender distribution at our Company is notably male-biased due to the nature of our business operations. The agriculture industry, namely the oil palm industry, is a labour-intensive sector that tends to result in higher male hires. To showcase our support for the provision of equal rights, our future efforts are geared towards reducing the gender gap for our employees to promote gender inclusivity.

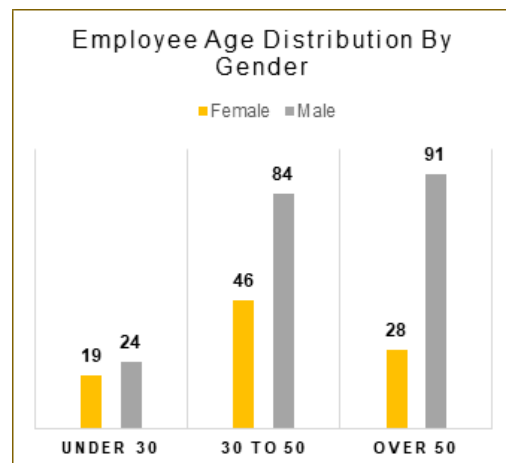


We highlight our commitment to equal employment opportunities by maintaining a wide range of age distribution of our employees across four professional levels. Our corporate hierarchy comprise of senior management, management, executive and non-executive positions. All four professional levels are awarded to those who are qualified and possess the appropriate skillset that can propel the Company towards economic success and long-term sustainability.



Most of our employee count are working at a non-executive level, namely at our plantation estates and oil mills, with a total of 212 employees. This is followed by 52 executives, 15 managers and 13 senior managers working across all two of the states that we operate in. We continue to strive to provide healthy and conducive working conditions to all employees.

The diverse age distribution of our employees contributes towards bringing innovative ideas from the younger generation while still retaining the core working values and culture at Harn Len through our senior hires. The majority of our workers, 130 employees, are within the 30 to 50 years old age range. We continue to be committed towards hiring new talents while dedicating efforts to develop our employee skills and knowledge of the industry and our business operations.





## SUSTAINABILITY REPORT (Cont'd)

### Cultivating Our Pool of Talents

Employees and workers are given adequate and appropriate trainings at the estate, mill and headquarters level. Training topics range from mill management practices, safe chemical handling, fire safety demonstration and training, occupational health and safety related knowledge and more. Our business is labour intensive and involves the use of heavy machinery. The safety and wellbeing of our employees and workers is constantly considered a high priority in our Company. We preserve that by emphasising on frequent safety-specific training as well as monthly briefings to our workers during their daily morning induction sessions at the estates before they begin planting and harvesting works.

#### Topics Covered During Occupational Health and Safety Related Training

- Legislative requirements for chemical user
- Occupational diseases awareness
- Chemical management system
- Usage of personal protective equipment
- Occupational Safety and Health Administration (“OSHA”) Act 514
- Use and Standard of Exposure Chemical Hazardous to Health (“USECHH) Regulations 2000

### *Adhering to Strict Labour Practices*

Harn Len ensures its respect to human rights by adhering to the human rights framework defined in the International Labour Organisation and Malaysia’s Employment Act 1955. We continue to strive towards ensuring sound human rights protection of our labour workers and employees through channels that include Harn Len’s Code of Ethics and Conduct, Whistleblowing policy and employee induction programmes to ensure that they are made aware of their rights while working with the Company.

Malaysia has been a member of the ILO since 1957 and formulated the Employment Act 1955 as a supporting framework that incorporates ILO requirements.



## SUSTAINABILITY REPORT (Cont'd)

### Taking Care of Surrounding Communities

To live harmoniously and sustainably, we have to consider the wellbeing of the local communities that are impacted by our business operations. As such, the Company carries out social events that involve the local community.

We also remain mindful of the indigenous people's welfare to avoid any conflict that may impact our business value chain or trigger stakeholders' concern. At our plantations and mills, we aim to promote cultural harmony, and work towards increasing our efforts to improve our engagement with the communities around us.

### Respecting the Indigenous Community

The Jakun tribe are a group of indigenous people that hunt and gather on our Pahang plantation estate. We have determined that their activities of hunting and gathering of forests' natural resources do not interfere with our plantation business activities, nor do they cause damage to our properties.

To preserve the cultural harmony between the indigenous community and our employees, we allow them to pass freely throughout our plantation but keep close tabs on their whereabouts and activities to ensure that the safety and wellbeing of both our employees and the tribe members are protected.

### Local Community Efforts

Majlis Buka  
Puasa

- Annual event
- Majlis Berbuka Puasa held at the Tropical Inn Hotel with 50 students from Pemulihan Dalam Komuniti Tanjung Puteri Johor Bahru during the month of Ramadan
- Orphans from various orphanages and students from poor families were accompanied by their teachers to the event
- Duit Raya and cookies were also gifted to them





## SUSTAINABILITY REPORT (Cont'd)

### Education Award

- Annual event
- Cash rewards and gifts given to the Company's employees' children who achieved good school results
- More than 260 employees and their children were also treated to special luncheon and live performances



Education Award for all divisions in Pahang, Johor and Sarawak.



Education Award for Sarawak division

### Local Welfare

- Provide school transport for our plantation workers' children
- Accommodation provided to plantation workers with families
- Provide public amenities to the local communities such as water pumps, water tanks, village roads and bridges
- Provide donations and other forms of assistance to the local community members
- Constructed a sports facility for the local community





## REPORT OF THE AUDIT COMMITTEE

### Audit Committee

#### Members of the Audit Committee & Meetings

During the financial year ended 31 December 2017, the composition of the Audit Committee and the details of the meeting attendance of each member of Audit Committee are as follows:-

Name of Committee Member	Designation	Attendance of Meetings
Mr. Loh Wann Yuan (Senior Independent Non-Executive Director)	Chairman	7/7
Mr. Law Piang Woon (Independent Non-Executive Director)	Member	7/7
Brig. Jen.(B) Dato' Ali Bin Hj. Musa (Independent Non-Executive Director)	Member	7/7
En. Mohamed Akwal Bin Sultan Mohamed (Independent Non-Executive Director)	Member	7/7

#### Terms of Reference of Audit Committee

The duties and responsibility of the Audit Committee are set out in its Terms of Reference which is published on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my).

#### Summary of Works of the Audit Committee during the financial year ended 31 December 2017

The works of the Audit Committee during the financial year ended 31 December 2017 are summarised below:-

- Reviewed internal audit plan for the financial year and received a total of three internal audit reports covering the processes of the Group's business units and is satisfied with the recommendations and actions by the management in addressing the issues highlighted.
- Reviewed annual audit plans of the Group and Company with the external auditors and recommendation of their audit fees to the Board.
- Discussed the annual audited financial statements of the Group with the external auditors and noted the salient features and key findings from the external auditors.
- Reviewed the annual audited financial statements and recommended to the Board for approval.
- Reviewed with Management the annual operating and financial budgets prior to Board approval.
- Reviewed and recommended the acquisition of properties for investment during the year.
- The Audit Committee held two (2) separate independent meetings with the external auditors in the absence of the executive board members and management representatives during which the external auditors informed that they had received full co-operation from the management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the Audit Committee.
- Reviewed the suitability and independence of external auditors and have received written assurance from external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.



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

- Reviewed the Group's quarterly report prepared in compliance with Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and Chapter 9 of the Listing Requirements prior to submission to the board for consideration and approval where the Chairman of the Audit Committee will brief the board on the pertinent points and the recommendations of the Audit Committee.
- Reviewed and considered the disclosure of related party transactions in the financial statements and the recurrent related party transactions circular to shareholders.
- Reviewed the minutes of the Risk Management Committee and issues arising from the Minutes.
- Reviewed and recommended to the Board the Statement on Risk Management and Internal Control for approval and inclusion to the annual report.

### **Summary of Works of the Internal Audit Function during the financial year ended 31 December 2017**

Summary of works of the internal audit function for the financial year ended 31 December 2017 are set out in the Statement on Risk Management and Internal Control on pages 55 to 58 of this Annual Report.



## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

### Introduction

The Board is committed to maintaining a sound system of risk management and internal control in the Company and the Group is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature of internal control of the Group during the financial year ended 31 December 2017 pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the board is guided by the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” (“SRMICG”) which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

### Board’s Responsibility

The Board recognises that a sound framework of risk management and internal control is fundamental to good corporate governance and an effective risk management process helps the Group to achieve its performance and targets by providing risk information to enable better formulation of Group’s strategies and decision making.

The Board acknowledges its responsibility for the Group’s risk management and system of internal controls covering not only financial controls but also operational, environmental and compliance controls as well as adopted risk management framework using the “International Organisation for Standardisation (“ISO”) model” for effectiveness and efficiency of the risk management process and internal control system. The risk management process and system of internal control which involve every business unit and their respective key management, are designed to meet the Group’s needs and to manage the risks to which it is exposed. The risk management process and system of internal control, by their nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives.

Towards this end, the Group has a formal approach towards identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives. The Risk Management Committee (“RMC”) assists the Board in the review of control processes, however, the board as a whole remains responsible for all the actions of the RMC with regards to the execution of the delegated role.

### Risk Management

The RMC oversee the responsibility for risk management, building upon already established structures and mechanism.

The risk assessments approach is in compliance with the ISO model inter-alia the following:

- To develop risk management policies, which includes risk management strategies and risk tolerance level for the various business units within the Group;
- To develop methodologies to identify, evaluate, prioritise, address and report the various risks of the various business units within the Group;
- To periodically review the effectiveness of the existing risk management policies and methodologies and recommend changes thereto;
- To monitor and ensure the implementation and compliance of the risk management policies and methodologies across the Group;
- To review the key risk profile of the Group and ensure that all significant risks are managed effectively, including the evaluation and treatment of newly identified risk, review and monitor the implementation of action plans to mitigate the significant risks identified; and
- To report risk exposures or risk management activities to the Board of Directors on a timely basis.



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

The RMC together with the Group's management are responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as required. This is designed to be responsive to changes in the business environment and is communicated to the appropriate levels through existing reporting structures and processes of the Group.

Key risks to each business unit's objectives which are aligned with the Group's strategic objectives are identified and scored for likelihood of the risks occurring and the magnitude of the impact. A database of strategic risks identified with appropriate controls has been created and the information altered to produce a detailed risk register/scorecard. The risk profiles of the respective business units are updated on a quarterly basis to reflect the prevailing operating conditions. The RMC review the key risk, their causes and management action plans and makes recommendations to the Board.

The key elements of the Group's internal control system are described below:

- Documented internal procedures and/or processes of individual business units, whenever applicable, which include processes to generate timely, relevant and reliable information and proper record keeping as well as compliances with applicable laws and regulations and internal policies for the conduct of business.
- Regular internal audit visits in accordance with the approved internal audit plan by Audit Committee which monitors compliance with procedures and assess the integrity of financial information.
- Regular and comprehensive information provided to management, covering financial performance and key business indicators.
- A detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the Board.
- Regular visits to operating units by Senior Management whenever appropriate.
- Review of business processes to assess the effectiveness of internal controls by the Internal Audit Team and the highlighting of significant risks impacting the Group by the outsourced Internal Audit Team to the Audit Committee with the Annual internal audit plan reviewed by the Audit Committee.
- In the presence of the Managing Director, Executive Directors and Chief Finance Officer for the purpose of ascertaining the state of internal control and to obtain assurance of the internal control system as to its effectiveness and adequacies in all material aspects, the Audit Committee reviews and holds discussion on significant internal control issues identified in reports prepared by the Internal Audit Team.
- Code of Conduct as set out in the Board Charter and the Employees' Handbook.





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

### Internal Audit Function

The Group has outsourced the Internal Audit function to Messrs. Ernst & Young Advisory Services Sdn Bhd, which is independent of the activities or operations of other operating units in the Group, which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control. The Head of Internal Audit is a member of Malaysian Institute of Accountants and The Institute of Internal Auditors of Malaysia and he is assisted by a team of qualified personnel. The internal audit functions are carried out using a risk based, systematic and disciplined approach, guided by the standards recognised by these professional bodies, namely the ISO model. The Head of Internal Audit has direct access to the Chairman of the Audit Committee and whenever deemed necessary, meets with the Audit Committee without the management being present. The principal responsibility of the outsourced Internal Audit Team is to undertake regular and systematic reviews of the system of internal controls, risk management and governance processes so as to provide reasonable assurance that such system operates satisfactorily and effectively within the Company and the Group and reports to the Audit Committee on a quarterly basis. Internal audit strategy and a detailed annual internal audit plan are presented to the Audit Committee for approval.

Summary of the works of the internal audit function are as follows:

- Undertook internal audit based on the audit plan that had been reviewed and approved by the Audit Committee which includes the review of operational compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records as well as governance processes.
- Conducted investigations with regard to various specific areas of concern as directed by the Audit Committee and the Management.
- Assessment of key business risks at each business units which were identified by risk analysis and continuous monitoring of control compliance through data extraction and analysis techniques.
- Issued several internal audit reports to the Audit Committee on the major business units which encompassed identification and assessment of business risks.

### Other Risks and Control Processes

Apart from risk assessment and internal audit function, the Group has in place an organisational structure with defined lines of responsibility, delegation of authority and a process of hierarchical reporting and an Employees' Handbook which highlights policies on Group's objectives, terms and conditions of employment, remuneration, training and development, performance review, safety and misconduct across the Group's operations. The Board is also supported by Board Committees with specific delegated responsibilities. These Board Committees have the authority to examine all matters within their terms of reference which outline its scope and responsibilities and report to the Board with their recommendations.

The Audit Committee meets with the independent external auditors at least twice annually, without management being present, to discuss their remit and any issues or observations of the independent external auditors, recognising that such issues or observations will generally be limited to risks and controls related to the financial statements. The Board is provided with financial information on a quarterly basis which includes key performance and risk indicators.

Assurance to the Board was given by the Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.



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

### CONCLUSION

Based on the foregoing as well as the inquiries and information provided, the Board is assured that the risk management process, system of internal control and other processes put in place through its Board Committees were operating adequately and effectively in all material aspects to meet the Group's objectives for the year under review and up to the date of approval of this Statement on Risk Management and Internal Control for inclusion in the annual report.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control in accordance with AAPG3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the SRMICG or is factually inaccurate. The External Auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. As stated in their report, the external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report. AAPG3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon.



## 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, 2017 are as follows :

#### Audit Fees:

	<u>RM</u>
Deloitte PLT	- 190,000-00

#### Non-Audit Fees:

i) Deloitte PLT	- 28,000-00
ii) Deloitte Affiliates	- 114,000-00
iii) Ernst & Young	- 106,829-75
iv) KPMG Affiliates	- 128,700-00

### 2. Material contracts

The following material contracts were entered into within the two (2) years immediately preceding the date of this Annual Report 2017.

- i) A Management Agreement (“MA”) was entered between the Company and Harn Len Management Sdn Bhd (Company No. 656554-M) [“HLMSB”], a wholly-owned subsidiary of Harn Len with Advance Pinnacle Sdn Bhd (Company No. 711412-T) (“APSB”), on 1 June 2016 for the appointment of HLMSB to manage, harvest and maintain oil palm (“Business Activity”) on the Block 19 Melikin Land District (Sheet Ref : P6-1-1, 2, 3, 4) located at in Upin Area, Ensebang Quarry, Balai Ringin, Serian measuring approximately 1845.451 acres and Blocks 18, 19 and 20 Melikin Land District located at Upik, Balai Ringin, Serian measuring approximately 212.07 hectares (524.06 acres) for a period of seven (7) years.
- ii) A Sale and Purchase Agreement was entered between the Company and Jotech Metal Fabrication Industries Sdn Bhd (187741-P) on 12 July 2016 for the acquisition of all that 3 (three) pieces of land together with factory buildings as detailed below on an en-bloc (as a whole) basis free from all charges, liens and encumbrances, for a total purchase consideration of RM18,000,000.00 (Ringgit Malaysia : Eighteen 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.



## ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

- iii) A Share Sale Agreement was entered between the Company and several third party individuals on 6 January 2017 for the sale of the entire share capital of a subsidiary, Gemilang Bumimas Sdn Bhd for a total consideration of RM13,600,000.00.
- iv) A Share Sale Agreement (SSA) was entered 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 RM28,000,000.00 (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	1,750,000	8,400,000	30
	5,000,000	28,000,000	100

### 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 19 of the financial statements.

### 5. Other Information

On 10 December 2017, the entire parcel of land at Lot 46200, Title No. GRN 460222, Township and District of Johor Bahru (NDSB Land) which belong to Nusantara Daya Sdn Bhd, a wholly owned subsidiary of Harn Len, has been compulsorily acquired by the Government for the purpose of construction of sewage treatment plant in upstream at Sungai Segget at Mukim Bandar Johor Bahru in the District of Johor Bahru and the Company was awarded a compensation of RM16,516,800.00 (Ringgit Malaysia: Sixteen Million Five Hundred Sixteen Thousand and Eight Hundred Only) i.e. at a rate of RM3,700 per acre which is way below the market value for NDSB Land at RM28,800,000.00. The Company has engaged Messrs Clarence Edward Law Office to submit the relevant documents to protest the compensation sum awarded.