

2015 ANNUAL

REPORT



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





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## 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

### REGISTERED OFFICE / BUSINESS ADDRESS

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

### SECRETARIES

Ms Woo Min Fong (MAICSA No. 0532413)  
Ms Fong Siew Kim (MAICSA No. 7022188)

### SHARE REGISTRAR

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

### AUDITORS

Messrs KPMG  
Chartered Accountants  
Level 14, Menara Ansar  
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

harnlen.com.my





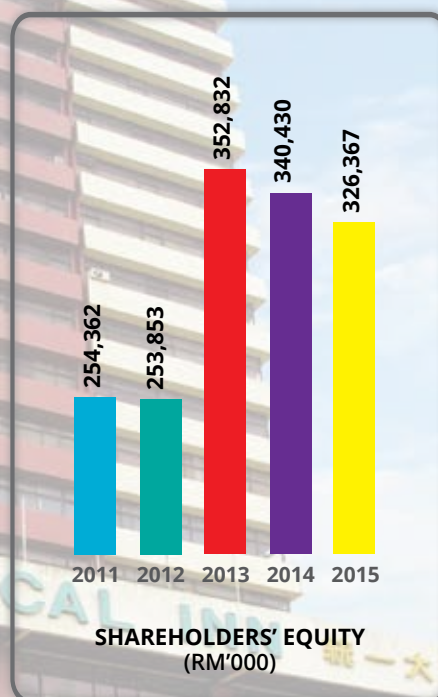
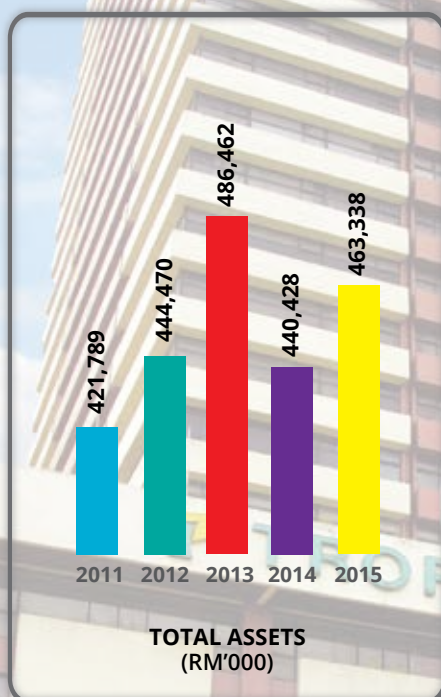
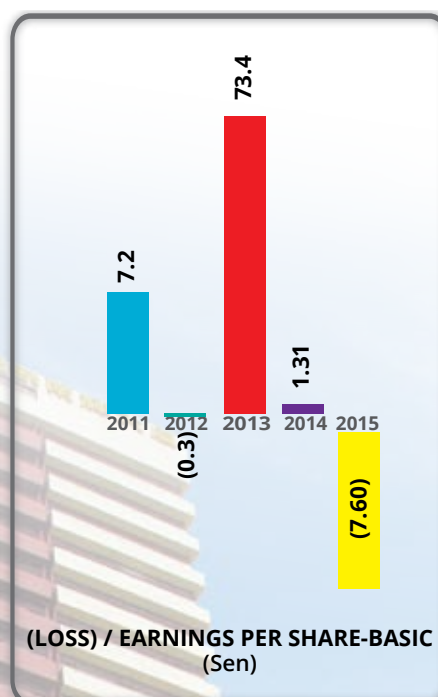
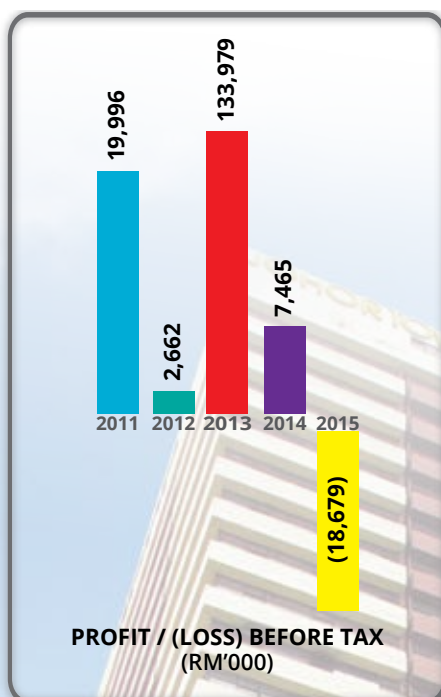
## 5 YEARS KEY STATISTICS

		2015	2014	Year 2013	2012	2011
<b>FINANCIAL PERFORMANCE</b>						
Revenue	(RM'000)	243,183	271,582	256,803	256,648	166,767
Profit / (Loss) From Operations	(RM'000)	(15,563)	9,508	144,279	11,092	26,838
Ebita	(RM'000)	4,638	27,709	162,559	27,057	40,133
Profit / (Loss) Before Tax	(RM'000)	(18,679)	7,465	133,979	2,662	19,996
Taxation (Income)/Expense	(RM'000)	983	5,627	(2,076)	6,570	8,164
<b>Profit / (Loss) After Tax</b>	<b>(RM'000)</b>	<b>(19,662)</b>	<b>1,838</b>	<b>136,056</b>	<b>(3,908)</b>	<b>11,832</b>
Net (Profit) / (Loss) to equity holders	(RM'000)	(14,062)	2,435	136,075	(509)	13,298
Shareholders' Equity	(RM'000)	326,367	340,430	352,832	253,853	254,362
Total Assets	(RM'000)	463,338	440,428	486,462	444,470	421,789
Total Borrowings	(RM'000)	85,752	44,459	56,481	145,259	125,434
Return on Equity	%	(4.31)	0.72	38.57	(0.20)	5.23
PE Ratio (times)		N/A	82	2	n/a	11
Return on Total Assets	%	(3.03)	0.55	27.97	(0.11)	3.15
Gearing Ratios		1: 3.81	1: 7.66	1: 6.25	1: 1.75	1: 2.03
Interest Cover (times)		1.48	13.56	15.8	3.2	4.8
Nett Debts to shareholders equity	%	21	8	16	57	49
(Loss) / Earnings Per Share-Basic	Sen	(7.60)	1.31	73.4	(0.3)	7.2
Net Assets Per Share	RM	1.69	1.79	1.86	1.33	1.33
Gross Dividend per share	Sen	-	8	20	-	1
Gross Dividend yield	%	-	7.5	13	-	1.25
Share Price at financial year end	Sen	100	107	150	89.5	80
<b>ESTATES</b>						
Planted area						
Mature	(ha)	11,867	11,783	11,156	12,068	11,301
Immature	(ha)	2,377	1,239	1,327	2,660	3,335
<b>Total Planted Area</b>	<b>(ha)</b>	<b>14,244</b>	<b>13,022</b>	<b>12,483</b>	<b>14,728</b>	<b>14,636</b>
FFB Production	(mt)	181,198	174,151	189,242	166,165	153,670
Yield Per Mature Hectare	(mt/ha)	15.269	14.780	14.092	13.769	13.598
<b>MILLS</b>						
FFB Processed						
Own FFB	(mt)	132,536	130,141	112,194	86,202	31,081
Outside FFB	(mt)	322,923	313,108	262,043	197,505	76,428
<b>Total</b>	<b>(mt)</b>	<b>455,459</b>	<b>443,249</b>	<b>374,237</b>	<b>283,707</b>	<b>107,509</b>
<b>Production</b>						
Crude Palm Oil	(mt)	89,160	88,939	74,485	58,081	21,233
Palm Kernel	(mt)	20,634	20,471	17,497	13,493	5,504
<b>Extraction Rate</b>						
Crude Palm Oil Extraction Rate	(%)	19.58	20.07	19.89	20.47	19.69
Palm Kernel Extraction Rate	(%)	4.53	4.62	4.68	4.76	5.14
<b>Average Selling Prices (Nett)</b>						
Crude Palm Oil	(RM/mt)	2,084	2,294	2,296	2,650	3,242
Palm Kernel	(RM/mt)	1,432	1,534	1,246	1,390	2,199
<b>Profile of Trees</b>						
Immature	(0-3 years)	Ha	2,377	1,239	1,327	2,660
Young	(4-7 years)	Ha	3,644	4,142	2,274	3,704
Prime	(8-19 years)	Ha	6,813	6,104	7,182	6,664
Past Prime	(> 20 years)	Ha	1,410	1,537	1,700	1,700

Ebita - Earnings before Interest, Tax, Depreciation and Amortisation  
 n/a - Not Applicable  
 Ha - Hectare



## 5 YEARS KEY STATISTICS (Cont'd)







## DEPUTY EXECUTIVE CHAIRMAN'S STATEMENT

“On behalf of the Board of Directors of Harn Len Corporation Bhd (“HLC”), I am pleased to present the Annual Report and Financial Statement of the Group and the Company for the Financial Year ended 31 December 2015 (“FY2015”).”



### FINANCIAL PERFORMANCE

For FY2015, HLC Group recorded a decrease in turnover to RM243,183,386 as compared to RM271,581,626 recorded in Financial Year ended 2014 (“FY2014”). For FY2015, the Group incurred a loss before tax of RM18,678,998 as compared to a profit before tax of RM7,464,877 in FY2014. The main reason for the loss in FY2015 is the provision for impairment losses and write-off amounting to RM11,001,245 in several subsidiaries and an investment in Indonesia. The Group was adversely impacted by lower crude palm oil (“CPO”) prices in FY2015 as compared to the previous year and lower production of fresh fruit bunches (“FFB”), CPO and palm kernel (“PK”) from the Group’s plantations and mills. Increasing operating costs exacerbated by the weaker Malaysian Ringgit (RM) also resulted in higher costs for fertilizer and imported chemicals which reduced margins for the plantation operations. If impairment losses were not factored in, the operating loss before tax for FY2015 for the Group would amount to RM7,677,753.

Plantation operations continued to remain the core business sector for HLC Group accounting for approximately 97.0% of the Group’s turnover with the remainder being contribution from the property division. Average CPO price for the Group in 2015 was lower at RM2,084 per metric tonne compared to RM2,294 per metric tonne in 2014.

For FY2015, the Group recorded lower production of FFB in particular from its Sarawak plantations due to floods, which impacted the soil conditions at its plantations. The resultant

shortfall in FFB production in the Group’s plantations as well as that of other plantations in the area also reduced the production of CPO and PK from its palm oil mill.

However, this was mitigated by an increased production in the Pahang plantations due to its maturing trees.

During FY2015, the Group’s oil palm operations continued to feel the impact of increasing costs which were compounded by the weakening RM and the impact of GST inflation. As inflationary pressures are not expected to subside soon due to additional costs such as the proposed increase in the foreign workers levy, the management will continue to focus on improving operational efficiency of its plantations and maximize oil mill capacities and extraction rates to ensure better returns.

In FY2015, Malaysian CPO production recorded a marginal increase of 1.5% to 19.96 million tonnes from 19.67 million tonnes in 2014. The increase was mainly due to higher FFB processed arising from the increase in new matured areas coming into production, in particular in Sarawak.

FFB yield for 2015 for the country was slightly lower by 0.8% to 18.49 tonnes per hectare from 18.63 tonnes per hectare in 2014. Total exports of oil palm products increased marginally by 1.0% to 25.33 million tonnes in 2015 from 25.07 million tonnes exported in 2014. However, total export value decreased by 5.5% due to lower export prices. In 2015, average CPO price trended lower to RM2,153 per metric tonne against RM2,383 per metric tonne in 2014. The highest



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

traded price was in January 2015 at RM2,294 per metric tonne and the lowest in August at RM1,970 per metric tonne. India, the European Union and China remain the three largest markets for Malaysian palm oil.

The prospects for the plantation industry going into the next financial year are expected to remain cloudy with no major changes to the CPO price anticipated. The effects of El Nino, the proposed imposition of additional foreign workers levy, the volatility of the RM, economic uncertainty in major export markets such as China and the European Union, as well as impending import levies in France and Russia on palm oil products are likely to be the challenges faced by the palm oil industry.

The hotel operations of the Group continued to face a challenging time in FY2015 due to increased competition from several new hotels in the vicinity of Tropical Inn and the Iskandar region generally. The tourism industry in the Iskandar region was also adversely affected by the haze in the middle of the year, a general reduction in the number of incoming China tourists to the country and the effect of increased costs of living due to the imposition of the GST in April 2015. Average occupancy rate increased slightly to 60% during the year against 57% in the previous year. However, average room rates decreased to RM80 in FY2015 from RM96 in FY2014.

The property operations of the Group is set to benefit from the launch of the Coronation Square, a major development of a financial centre for Johor Bahru undertaken by the State Government at a location adjacent to Tropical Inn. This significant project and the Johor Bahru city centre transformation plans are expected to have a positive impact on Tropical Inn in the longer term.

### CORPORATE DEVELOPMENTS

On 28 October 2015, the Board announced that Uniglobal Sdn Bhd ("USB"), a wholly-owned subsidiary of the Company, had effected a capital reduction of USB's issued and paid-up capital from RM39,378,760 divided into 39,378,760 ordinary shares of RM1.00 each to RM2 comprising two ordinary shares of RM1.00 each via the cancellation of 39,378,758 ordinary shares of RM1.00 each. The capital reduction was effected after obtaining a High Court order dated 19 October 2015 and approval at an extraordinary general meeting on 5 June 2015.

Other than the above, there were no other material corporate developments in FY2015.

### DIVIDEND

Due to the uncertain business and economic conditions, the Board has not declared any dividend for FY2015.

### RELATED PARTY TRANSACTIONS

Related party transactions for FY2015 are disclosed in Note 32 to the Financial Statements of this Annual Report. Shareholders may refer to the Circular seeking shareholders' approval to renew the mandate for recurrent related party transactions of a revenue or trading nature dated 28 April 2016 sent out together with this Annual Report for more information.

### PROSPECTS

The prospects of the Group will be closely tied in to global CPO prices and the Board is hopeful that CPO prices will be steady and favourable in the forthcoming financial year in spite of the macroeconomic conditions as set out above.

The Group will remain focused on better managing and planning its oil palm operations to ensure better yields and to impose measures to control the rise in operating costs. The Board is mindful to exercise prudence over the management of its cash reserves and will evaluate new investment proposals diligently.

The Board is cautiously optimistic of improvements in HLC Group's financial performance for the forthcoming financial year.

### OTHER DEVELOPMENTS

The Board has had the onerous task of guiding the Company in FY2015 without the benefit of the wisdom and experience of the Group's founder Tan Sri Dato Low Nam Hui who passed away on 10 February 2015. While the loss of Tan Sri will be difficult to replace, his invaluable legacy in leaving the Harn Len Group with a good financial footing and clear succession plan will enable the Group to move forward on a sound foundation.

### APPRECIATION

On behalf of the Board of Directors of HLC, I wish to express our sincere appreciation to the management and staff for their continued dedication and commitment to the Group and to our valued customers, business associates, suppliers and government authorities for their continued support and co-operation.

Finally, I also wish to thank our shareholders for their continued support and confidence, as well as to my fellow Board members for their invaluable contribution and efforts extended to the Group during the year.

### PUAN SRI DATIN CHAN PUI LEORN

*Deputy Executive Chairman*  
25 April 2016



## PROFILE OF DIRECTORS



**PUAN SRI DATIN CHAN PUI LEORN**  
NON-INDEPENDENT | EXECUTIVE

*Puan Sri Datin Chan Pui Leorn (Puan Sri Datin Chan)*, aged 57, a Malaysian, was appointed to the Board of Harn Len as an Executive Director on 1 March 2011. On 1 January 2015, Puan Sri Datin Chan was appointed the Deputy Executive Chairman of Harn Len.

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

Besides her executive position in Harn Len, Puan Sri Datin Chan is a Member of 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.

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 32 of the Financial Statements.



**LOW QUEK KIONG**  
NON-INDEPENDENT | EXECUTIVE

*Low Quek Kiong ("Low QK")*, aged 64, a Malaysian, 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 the 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 32 of the Financial Statements.





## PROFILE OF DIRECTORS (Cont'd)



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

*Low Kueck Shin ("Low KS")*, aged 59, a Malaysian, 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 32 of the Financial Statements.



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

*Low Kwek Lee ("KL Low")*, aged 57, a Malaysian, 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 32 of the Financial Statements.



## PROFILE OF DIRECTORS (Cont'd)



**LOW KUEK KONG**  
NON-INDEPENDENT | EXECUTIVE

*Low Kuek Kong ("Low KK")*, aged 49, a Malaysian, 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 32 of the Financial Statements.



**LEE CHON SING**  
NON-INDEPENDENT | EXECUTIVE

*Lee Chon Sing*, aged 74, a Malaysian, 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)



**LOW KOK YONG**  
NON-INDEPENDENT | EXECUTIVE

*Low Kok Yong ("Low KY")*, aged 30, a Malaysian, 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 Member of the Youth Committee of All China Federation 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 a Council Member of the Johor Bahru Chinese Chamber of Commerce and Industry and the Vice-Leader 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 32 of the Financial Statements.



**LOH WANN YUAN**  
SENIOR INDEPENDENT | NON-EXECUTIVE

*Loh Wann Yuan*, aged 47, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002. Mr Loh is the Chairman of Audit Committee and Nomination Committee and also sits on the Remuneration Committee. He was appointed the 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 and property laws. He was also admitted as a legal practitioner of New South Wales and Western Australia.

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

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





## PROFILE OF DIRECTORS (Cont'd)



**BRIG. JEN. (B) DATO'ALI BIN HJ MUSA**  
 INDEPENDENT | NON-EXECUTIVE

*Brig. Jen. (B) Dato' Ali Bin Hj Musa ("Dato' Ali")*, aged 73, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003. Dato' Ali is the Chairman of the Remuneration Committee and also sits on the Audit and Nomination Committee.

Dato' Ali was an officer in the Malaysian Armed Forces until his retirement in July 1997. During his service as Brigadier General he commanded an infantry Brigade in Kelantan 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. He is a director of a private limited company.

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



**LAW PIANG WOON**  
 INDEPENDENT | NON-EXECUTIVE

*Law Piang Woon*, aged 74, a Malaysian, was appointed to the Board of Harn Len on 5 August 2003. He is currently a member of the Audit Committee and Nomination Committee.

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

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

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





## PROFILE OF DIRECTORS (Cont'd)



**MOHAMED AKWAL SULTAN MOHAMAD**  
INDEPENDENT | NON-EXECUTIVE

*Mohamed Akwal Sultan Mohamad (En Akwal)*, aged 62, a Malaysian, was appointed to the Board of Harn Len as an Independent Non-Executive Director on 28 March 2014. He is currently a member of the Audit Committee, Remuneration 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.



**LOW KOK YAOW**  
NON-INDEPENDENT | EXECUTIVE

*Low Kok Yaow ("Low KYw")*, aged 27, a Malaysian, 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 on 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 32 of the Financial Statements.

### CONVICTION OF OFFENCE

None of the Directors of the Company has been convicted of any offence within the past 10 years other than traffic offences.



## STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of Harn Len Corporation Bhd (“Harn Len” or “the Company”) is committed to ensure that a high standard of corporate governance is practised throughout the Company and its subsidiaries (“Harn Len Group” or “the Group”), as it is a fundamental part of discharging its responsibility to protect and enhance shareholders’ value and the performance of the Group.

Set out below is a statement, made pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”), on how the Group has applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 (“Code”).

### BOARD OF DIRECTORS

#### Board Roles and Responsibilities

The Board has the ultimate and overall responsibility for setting the objectives and steering the strategic direction of the Company. Other responsibilities of the Board include formulating and reviewing the policies and procedures in succession planning, risk management, internal control and to oversee the management’s performance over the Group’s business operations. In addition, the Board also advocates a policy of maintaining effective communication with shareholders and investors through timely dissemination of announcement to enhance corporate governance best practices within the Group.

Presently, the Deputy Executive Chairman (“DEC”) is responsible for ensuring good conduct and governance of the Board while the Managing Director (“MD”) and Deputy Managing Director (“DMD”) are primarily responsible for managing the day-to-day operations of the various business segments of the Company comprising plantation, oil milling, hotel management and property investment. The Executive Directors (“EDs”) have their own portfolios and assist the MD and DMD in running and managing the operations of the Group.

The Independent Non-Executive Directors are actively involved in the various Board Committees. Coming from different backgrounds and fields of expertise, the Independent Directors are able to offer different perspectives and independent assessment of the proposals put forward by management.

#### Board Charter

The Board is guided by the Board Charter which provides reference for directors in relation to the Board’s role, powers, duties and functions. The primary objective of the Company’s Board Charter (“Charter”) is to set out the roles, composition, principal responsibilities and operation of the Board of Directors to ensure all Board members acting on behalf of the Harn Len Group are aware of their duties and responsibilities as Board members. The Board Charter also addresses the Code of Ethics of the Directors. The approval and adoption of the Board Charter and Directors’ Code of Ethics formalizes the ethical standards to ensure that the Directors, in discharging their duties and responsibilities, practice ethical and lawful business conduct and embrace high standards of personal integrity and professionalism. The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board’s responsibilities.

#### Board Composition And Independence

The Board currently has twelve (12) members, comprising eight (8) EDs and four (4) Independent Non-Executive Directors (“INEDs”). The Board composition complies with the MMLR that requires at least two (2) or one-third (1/3) of the Board to be Independent Directors, whichever is the higher.

According to recommendation of the Code, the Board is expected to comprise a majority of independent directors if the Chairman is not an independent director. Although the DEC is an Executive Director and the Board does not comprise a majority of Independent Directors but there is clear division of responsibilities at the helm of the Group to ensure a balance of authority and power such that one individual has unfettered power of decision.

The executive powers of the Executive Board are balanced by the presence of INED who exercise their independent judgement on issues of strategy, standards of conduct, resources, process and safeguarding of interests of minority shareholders.





## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### BOARD OF DIRECTORS (Cont'd)

#### Board Composition And Independence (Cont'd)

The Board is comprised of individuals from diverse academic background that provides a collective range of skills, expertise and experience in various fields such as palm oil industry, property investment, legal, accounting and consultancy business. A brief profile of each Director is presented on pages 7 to 12 of this Annual Report.

The INEDs are assessed annually by the Nominating Committee ("NC") and Board with the completion of Performance Evaluation and the relevant questionnaires to assess the independence of the INEDs, taking into account each of the Director's ability to exercise judgment at all times and contribute effectively to the functioning of the Board.

Moreover, the INEDs do not engage in day-to-day management of the Group and do not participate in any business dealings and are not involved in any other commercial relationship with the Group that could interfere with their exercise of independent judgments.

The NC and Board have assessed and reviewed the independence of the INEDs namely, Mr Loh Wann Yuan, Brig. Jen. (B) Dato' Ali Bin Hj. Musa and Mr Law Piang Woon who have all served for over nine years. Upon the recent assessment and review, it was determined that their long tenure do not in any way interfere with their exercise of objective and impartial judgment. In addition, they have also:-

1. fulfilled the criteria under the definition of Independent Director pursuant to the MMLR ;
2. ensured effective check and balance in the proceedings of the Board and Committee Meetings;
3. actively participated in Board deliberations and provided objectivity in decision making and an independent voice to the Board;
4. devoted sufficient time and attention to their professional obligations;
5. exercised due care in the interest of the Company and shareholders;
6. developed deep insight into the Group's businesses and operations and therefore will be able to provide invaluable contributions to the Group;

Accordingly, the Board strongly recommends that Mr Loh Wann Yuan, Brig. Jen. (B) Dato' Ali Bin Hj. Musa and Mr Law Piang Woon be retained as INEDs.

#### Clear Roles and Responsibilities

The Management of the Company comprises of DEC, MD, DMD and EDs. There is a clear division of roles and responsibilities among the Management to ensure there is balance of power and authority and that no one individual has unfettered powers of decision. The executive powers of the Management are balanced by the presence of INEDs who provides unbiased and independent views, advice and exercise their independent judgment on issues of strategy, standards of conduct, resources, process and safeguarding of interests of minority shareholders.

The Management is collectively responsible for implementing the corporate strategies, policies and decision of the Board as well as initiating the business development efforts of the Group and also ensures the efficiency and effectiveness of the operation for the Group and are responsible for overseeing the administration and management of the day-to-day operations of the Group's business.

The recurrent related party transactions, annual budgets including major capital commitments as well as all major proposals and decisions of the Group are discussed and reviewed by the AC which comprised solely of INEDs. The INEDs play a pivotal role in ensuring there are enough check and balance and corporate accountability.

The Board as a whole is ultimately responsible for the decision made on all matters affecting the businesses of the Group. The Board believes the existing arrangement is in the best interest of the Group.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### BOARD OF DIRECTORS (Cont'd)

#### Clear Roles and Responsibilities (Cont'd)

The existing size and composition of the Board is appropriate for the complexity and scale of operations of the Group. With the presence of Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), comprising mainly independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in one individual.

#### Sustainability

The Board of Directors regularly reviews the strategic direction of the Company and the progress of the Company's operation to include sustainable commitment in business practices and development focusing on the environment, socially responsibility, and well-being of its employees, the benefits of which are believed to translate into better corporate performance and image. The Corporate Responsibility Statement which provides a better overview on the practices and activities of Harn Len Group is set out on pages 20 to 21 of this Corporate Governance Statement.

#### Board Meetings and Attendance

The Board meets on a scheduled basis at least four (4) times a year and, as and when the need arises. The Chief Financial Officer is usually invited to attend the Board meeting to help provide additional information and/or clarify any issues raised by the Board members. Other key management personnel and/or external advisers may also be invited to attend the meeting when required.

During the financial year, a total of five (5) Board meetings were held. The attendance of each Director is as follows:-

Director	Designation	Attendance
Puan Sri Datin Chan Pui Leorn	Deputy Executive Chairman	5 out of 5
Mr Low Quek Kiong	Managing Director	5 out of 5
Mr Low Kueck Shin	Deputy Managing Director	5 out of 5
Mr Low Kwek Lee	Executive Director	5 out of 5
Mr Low Kuek Kong	Executive Director	5 out of 5
Mr Lee Chon Sing	Executive Director	4 out of 5
Mr Low Kok Yong	Executive Director	4 out of 5
Mr Low Kok Yaow	Executive Director	5 out of 5
Mr Loh Wann Yuan	Senior Independent Director	5 out of 5
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	Independent Director	5 out of 5
Mr Law Piang Woon	Independent Director	5 out of 5
En Mohamed Akwal Bin Sultan Mohamad	Independent Director	4 out of 5

#### Supply of Information

The agenda of each meeting is determined by the DEC, MD & DMD with assistance from the Company Secretary. All the Board members are provided with an agenda and a set of Board papers (containing information relevant to the matters for deliberation) usually one week before each Board meeting. This is to ensure that the Board has sufficient opportunity to have queries answered, obtain further explanations if necessary and to be properly briefed before Board meetings.

Matters discussed include periodical financial information, annual budgets, significant operational, financial and corporate issues, performance of the business units, acquisition and disposal of undertakings and properties of a substantial value. Minutes of Board meeting are circulated to all Directors for their perusal prior to the confirmation of the Minutes at the following Board meeting. The Directors may request for further clarification or raise comments on the minutes prior to confirmation of the minutes as a record of proceedings of the Board.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### BOARD OF DIRECTORS (Cont'd)

#### Supply of Information (Cont'd)

The Board has full and unrestricted direct access to members of the Senior Management and any officers of the Company for any information relating to the Group's operations in the discharge of their duties.

In exercising their duties, the Directors may seek independent professional advice where deemed necessary, at the Company's expense.

#### Company Secretary

Both Company Secretaries of the Company have legal credentials, and are qualified to act as company secretary under Section 139A of the Companies Act 1965 and have attended relevant training and seminars to keep abreast with the statutory and regulatory requirements' updates.

The Board has the unrestricted access to the advice and services of two (2) Company Secretaries to enable them to discharge their duties effectively. The Directors are regularly updated by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors. The Company Secretary attends all board meetings and ensures that accurate and adequate records of the proceedings of board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of the Company.

#### Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme ("MAP") as required under the MMLR.

The Board encourages each and every individual Director to attend seminars, conferences, workshops and training programmes to update themselves with the latest economic and industry trends, technical developments, new concepts and the latest changes to laws and regulatory requirements. The Board views training as an important knowledge acquisition process for the Directors to contribute effectively to the Company.

Courses and training attended by the Directors during the financial year were recommended by the NC.

The NC shall facilitate an induction programme for the newly appointed directors by providing them with all the key information of the Group's structure and business operations, followed by training programmes including MAP. This is to enable the directors to have clear insight and better understanding of business of the Group and discharge their duties and responsibilities effectively.

During the financial year, the Directors have attended the following trainings:-

Director	Course Title	Trainer / Organiser	Date
Puan Sri Datin Chan Pui Leorn	- IACS - Comtrac Seminar 2015 Stepping Into The World Of Directorship	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	03-08-2015
Mr Low Quek Kiong	- IACS - Comtrac Seminar 2015 Stepping Into The World Of Directorship	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	12-10-2015
Mr Low Kueck Shin	- IACS - Comtrac Seminar 2015 Stepping Into The World Of Directorship	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	03-08-2015
	- Continuing professional development Seminar on CSP Practical Issues	Institute of Approved Companies Secretaries	16-10-2015
	- IACS - Comtrac Seminar 2015 Overcoming Corporate Governance Changes In Boardroom	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	05-11-2015





## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### BOARD OF DIRECTORS (Cont'd)

#### Directors' Training (Cont'd)

During the financial year, the Directors have attended the following training:- (Cont'd)

Director	Course Title	Trainer / Organiser	Date
Mr Low Kwek Lee	- IACS - Comtrac Seminar 2015 Stepping Into The World Of Directorship	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	03-08-2015
Mr Low Kuek Kong	- IACS - Comtrac Seminar 2015 Stepping Into The World Of Directorship	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	12-10-2015
Mr Lee Chon Sing	- IACS - Comtrac Seminar 2015 Overcoming Corporate Governance Changes In Boardroom	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	05-11-2015
Mr Loh Wann Yuan	- Audit Committee Conference	The Institute of Internal Auditors Malaysia	24-03-2015
	- IACS - Comtrac Seminar 2015 Stepping Into The World Of Directorship	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	03-08-2015
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	- IACS - Comtrac Seminar 2015 Stepping Into The World Of Directorship	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	03-08-2015
Mr Law Piang Woon	- Audit Committee Conference	The Institute of Internal Auditors Malaysia	24-03-2015
	- IACS - Comtrac Seminar 2015 Stepping Into The World Of Directorship	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	03-08-2015
	- Understanding The Principles Of Integrated Reporting & Its Disclosure Framework	The Malaysian Institute of Chartered Secretaries & Administrators	11-09-2015
	- Art of war & the 9 variation strategies	Asian Academy for Corporate Administration Sdn Bhd	25-11-2015
Mr Low Kok Yong	- IACS - Comtrac Seminar 2015 Overcoming Corporate Governance Changes In Boardroom	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	05-11-2015
En Mohamed Akwal Bin Sultan Mohamad	- Nominating Committee Programme Part 2 - Effective Board Evaluations	Bursa Malaysia Berhad	10-09-2015
Mr Low Kok Yaow	- IACS - Comtrac Seminar 2015 Overcoming Corporate Governance Changes In Boardroom	Institute of Approved Company Secretaries jointly with Suruhanjaya Syarikat Malaysia	05-11-2015



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### BOARD COMMITTEES

In order to assist the Board in discharging its duties, the various Board Committees have been established. The functions and terms of references of the Board Committees are clearly defined and where applicable, comply with the recommendations of the Code.

#### Audit Committee ("AC")

The AC comprises wholly of Independent Non-Executive Directors, one of whom is a practicing public accountant. The following are members of the AC:-

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

The information of the functions and duties of the AC, and its activities carried out during the financial year are set out on pages 24 to 26 of this Annual Report.

#### Nominating Committee ("NC")

The NC comprises exclusively of Independent Non-Executive Directors and is presently chaired by the Senior Independent Non-Executive Director. The following are members of the NC:-

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

The NC's responsibilities include assessing and recommending to the Board the candidature of directors, appointment of directors to Board committees, review of Board's succession plans and identify suitable training programmes for the Board. The NC is also responsible for reviewing the required mix of skills, expertise, experience and other qualities (including core competencies) which the Directors should bring to the Board.

The nomination process for appointment of directors involves identifying the candidate and then evaluating his/her suitability. The NC will then arrange to meet up with the potential candidate for an interview. After due deliberation, the NC will recommend to the Board the candidate to be appointed as director. The final decision on any appointment rest with the Board.

In 2015, the NC met once where all the members were present and had conducted the annual assessment on the Board and Board Committees inclusive of the structure, operations, role and responsibilities and the performance of chairman of the Board and Committees. The NC had also reviewed the composition of Board Committees.

#### New Appointment, Re-appointment and Re-election of Directors

The criteria to be used in the procedures of selection, appointment, re-appointment and annual assessment of Directors are set out in the Terms of Reference of the NC.

The NC takes into account criteria such as gender, ethnicity, age, skills, knowledge, expertise, experience, professionalism, character and integrity, competence and time commitment to effectively discharge their roles when making recommendations on the selection of candidates for new appointment or on re-appointment of Directors.

Currently, the Board has one female Director. The Board intends to continue its current approach to achieve diversity in all aspects while at the same time seeking Board members of the highest calibre, and with the necessary strength, experience and skills to meet the needs of the Company.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### BOARD COMMITTEES (Cont'd)

#### New Appointment, Re-appointment and Re-election of Directors (Cont'd)

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one-third (1/3) of the remaining Directors including the Managing Director shall retire from office at least once every three (3) years but shall be eligible for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

At the meeting held subsequent to the financial year under review, the Committee had recommended the re-appointment of Brig. Jen. (B) Dato' Ali Bin Hj. Musa, Mr Law Piang Woon and Mr Lee Chon Sing under Section 129 of the Companies Act, 1965 and the re-election of Puan Sri Datin Chan Pui Leorn, Mr Low Kwek Lee and Mr Low Kuek Kong pursuant to Article 84 of the Company's Articles of Association.

The NC has assessed and evaluated their skills, knowledge, expertise and experience relevant to the Harn Len Group's activities, character of honesty and integrity, professionalism, competence and devotion of sufficient time to their duties and responsibilities, prior to their recommendations.

#### Remuneration Committee

The RC met once during the year and comprises the following Directors:-

Brig. Jen. (B) Dato' Ali Bin Hj. Musa (Independent Non-Executive Director)	- Chairman
Mr Loh Wann Yuan (Senior Independent Non-Executive Director)	- Member
Mr Lee Chon Sing (Executive Director)	- Member
En Mohamed Akwal Bin Sultan Mohamad (Independent Non-Executive Director)	- Member

The RC is responsible for developing the Group's remuneration policy framework and recommending the remuneration packages and benefits to be extended to the EDs and key management personnel. The ultimate responsibility of approving the recommendations rests on the Board.

The criteria set for the remuneration of individual Director is primarily based on number of years of working experience, qualifications obtained, level of responsibilities as well as individual and corporate performance.

#### Policies and Procedures to Attract and Retain Directors

The RC reviews the remuneration package of the EDs on an annual basis and submits its recommendations to the Board on specific adjustments and/or rewards that reflect their respective contributions throughout the year. The scope of work of the EDs and financial performance of the Harn Len Group are criteria taken into consideration for reviewing the remuneration packages of EDs. To ensure that the remuneration packages remains competitive to attract and retain Directors, RC compares the remuneration package offered with that of companies in the same industry. Each individual Director abstains in the deliberation of his own remuneration package. The allowances and director's fees for INED are determined by the Board as a whole.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### BOARD COMMITTEES (Cont'd)

#### Directors' Remuneration

The aggregate remuneration of the Directors of the Company categorised into appropriate components is as follows:-

	Executive Directors (RM)	Independent Non-Executive Directors (RM)
Salaries, bonus and allowances	6,677,156	123,000
Fees	10,800	200,000
Attendance Fees	-	53,000

The breakdown of aggregate remuneration for Directors who had served during the financial year in bands of RM50,000 are as follows:-

	Number of Directors	
	Executive Directors	Independent Non-Executive Directors
RM50,001 to RM100,000	-	4
RM300,001 to RM350,000	1	-
RM600,001 to RM650,000	1	-
RM650,001 to RM700,000	2	-
RM750,001 to RM800,000	1	-
RM1,000,001 to RM1,050,000	2	-
RM1,100,000 to RM1,150,000	1	-
	8	4

### CORPORATE RESPONSIBILITY STATEMENT

The Group recognizes its obligations as a responsible corporate citizen and endeavors to incorporate sustainable practices and activities to its corporate culture by focusing on the environment, health and safety and the well-being of the community that it serves.

The Group has developed large land banks in Sarawak. During the last decade the development there has brought much social and economic benefit to landowners and villagers who are from the indigenous community. Many jobs have since been created and employments of the locals are given priority. The Group has earned the trust of the local community with this recruitment policy and this approach has allowed Harn Len to continue expanding its development in the surrounding areas of its estates to further benefit the indigenous community.

The Estate Management continues to engage and co-operate with the local community to promote a harmonious working relationship especially in aspects of land procurement and use which are managed in accordance with prevailing local laws and with due respect to its local cultural sensitivities. The Group also promotes local social customs through sponsorship and donations in cash and kind for various local cultural and religious activities. Contributions have also been made to the local community for festive celebrations during Gawai, Christmas and Hari Raya Aidil Fitri. During the year, benches worth RM7,200 were donated to the All Saint's Chapel at Sri Aman, Sarawak.





## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### CORPORATE RESPONSIBILITY STATEMENT (Cont'd)

The Group places great emphasis on enhancing living conditions of the communities where it operates. Substantial sums have been invested for housing, provision of electricity and water supplies to its employees in the estates and oil mills with the objective of providing the residents with better living conditions. In addition, the roads serving villages around our estates in Sarawak are continuously being maintained and transport to children going to schools are provided free.

The Group embraces good agronomic practices like zero burning, contour stacking of the fronds for preventive soil erosion and good water management in peat areas. The oil palm by-products generated such as empty fruit bunches which are naturally rich in nutrients are applied to the fields as organic manure to complement the regular fertiliser programme. In addition, light shells and fibres are utilised as green fuel in oil mill boilers for power generation to reduce the reliance on fossil fuels which contributes to global warming.

The Group also encourages its employees to play a part in protecting the environment by promoting recycle paper usage and reduce the usage of paper by printing only when necessary at its workplace.

The Company continues its annual practice of returning to the community by giving yearly educational awards in the form of cash to deserving children of the Group's employees. During the year, its hotel division, Tropical Inn hosted 'buka puasa' for the underprivileged students of SK Khir Johari, Johor Bahru.

Safety and Health Committees (SHC) have been established at various units of the Group's operation. The SHC continues to enhance its current practices of maintaining a safe and healthy working environment by mandating wearing of helmets and safety boots at its oil mills. Sufficient warning signages and first-aid kits are positioned and displayed at strategic locations in the workplace.

In our effort to promote a healthy and work-life balance lifestyle, the Company organizes activities such as Waidangong, a form of peaceful Chinese Qi Qong, twice weekly for its employees as well as other employees working in the vicinity. In addition, various social activities such as staff parties and annual gatherings to celebrate major festivals of difference races and religion are organized for employees to foster closer ties among different ethnic groups, nurture team spirit among peers and instil a sense of belonging among employees.



### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the Company's state of affairs, results and cash flows. It is therefore the responsibility of the Board, with the assistance of the AC, to ensure that the preparation and presentation of the Company's financial statements are in accordance with applicable approved Financial Reporting Standards in Malaysia.

The Directors are of the opinion that the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgment and estimates.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### ACCOUNTABILITY AND AUDIT (Cont'd)

In preparing the annual audited financial statements and the unaudited quarterly financial reports to the shareholders, the Board strives to present a balanced and comprehensible assessment of the Company's financial position and prospects and also ensures that the financial results are released within the stipulated time frame.

#### Relationship with External Auditors

The Board maintains a transparent and professional relationship with the External Auditors ("EA"), through the Audit Committee and the Board. The AC will meet with the EA at least twice a year to discuss on audit findings, audit plan and the Company's financial statements. During these meetings, the AC will meet the EA without the presence of the Executive Directors and Management at least once a year. The AC meets additionally with the EA whenever it deems necessary. Regular dialogues are held between the Management and the AC with the EA to ensure compliance and accuracy in the preparation of the financial statements. Issues and technical matters raised by the EA are discussed initially with the AC before these are highlighted to the Board.

During the year under review the AC met twice with the EA without the presence of the EDs and Management.

The terms of engagement for the services rendered by the external auditors are reviewed by the AC and approved by the Board.

#### Internal Audit Function

The Group has an Internal Audit Function that is independent of the activities and operations. The Internal Audit Function of the Group is outsourced to an external consultant, which report directly to the AC. The AC reviews and approves the internal audit plan and the scope of work of the internal audit function.

The total cost incurred for the Group Internal Audit Function during the financial year amounted to RM135,775.

Details of the activities of the Internal Audit Function are set out in the Statement on Risk Management and Internal Control on page 27 to 28 of this Annual Report.

#### Related Party Transactions

All related party transactions are reviewed by the Internal Auditors yearly and a report is submitted to the Audit Committee for their review.

Details of all the related party transactions of the Group for the financial year are disclosed in Note 32 to the Financial Statement of this Annual Report.

#### Internal Corporate Disclosure Policies and Procedures

The Company is committed to provide the investment community with accurate, comprehensive and high quality material information on a timely basis.

In line with this commitment and in order to enhance good corporate governance, transparency and accountability, the Board has established an Internal Corporate Disclosure Policies and Procedures ("Internal CDPP") to facilitate the handling and disclosure of material information in a timely and accurate manner and to avoid any selective disclosure. This is aim at ensuring that the Company complies with the disclosure requirements as set out in the MMLR and other applicable laws.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### SHAREHOLDERS

#### Dialogue with Investors

The Board acknowledges the need for shareholders to be kept informed of all material business matters affecting the Company. Information on the latest corporate developments affecting the Company are disseminated promptly via public announcements. These announcements are also posted on the Company's website using Bursa Link.

#### Annual General Meeting

The Annual General Meeting is an important means of communication with shareholders and it provides opportunity for the shareholders to meet the Board, the External Auditors, the Company Secretaries as well as some of the Company's key management officers.

Shareholders of the Company have been active at the Annual General Meeting over the past few years as they raised questions at the Directors and offered suggestions. Ample opportunities and time are provided for the shareholders to speak. Their questions and issues raised were addressed by the Directors at the meeting. The Directors welcome their suggestions and feedback and spend time interacting with the shareholders on a more informal basis after the meeting.

The Company believes that a constructive and effective investor relationship is an essential factor in enhancing shareholder value. In this instance, the Company aims to ensure timely disclosure of information to all shareholders. However, the Company is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

### COMPLIANCE STATEMENT

In relation to the principles of and the best practices in corporate governance as set forth in the Code, the Board is satisfied that it has generally complied with the Code throughout the financial year.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are legally required to prepare financial statements for each financial period/year which give a true and fair view of the state of affairs of the Company at the end of the financial period/year and of the results of the Company for the financial period/year then ended.

The Directors consider that in preparing the financial statements:-

- i) the Company has used appropriate accounting policies and applied them consistently;
- ii) reasonable and prudent judgments and estimates were made; and
- iii) applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965 and applicable approved accounting standards.

The Directors are also responsible for the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 25 April 2016 .



## REPORT OF THE AUDIT COMMITTEE

The Board of Directors of Harn Len Corporation Bhd ("Board") is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2015 as follows:-

### 1. MEMBERS AND MEETINGS

During the financial year ended 31 December 2015 and up to the date of this report, the AC is comprised of four members who are all Independent Non-Executive Directors.

A total of five (5) meetings were held during the financial year. The Directors were briefed on each AC meeting by the Chairman of the AC at the Board meeting. The minutes of all the AC meetings were circulated to all the Directors prior to the Board meetings and noted at the said meetings.

The members of the AC and their attendance of the AC meetings during the year are as follows:-

Name of Committee Members	Designation	Attendance of Meetings
Mr Loh Wann Yuan	Chairman	5 out of 5
Mr Law Piang Woon	Member	5 out of 5
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	Member	5 out of 5
Mohamed Akwal bin Sultan Mohamad	Member	4 out of 5

### 2. TERMS OF REFERENCE OF AC

#### 2.1 Composition

An independent AC shall exist to implement and support the functions of the Board. Members of the AC shall elect the Chairman, and all members of the AC including the Chairman shall hold office as long as they serve as Directors of the Company.

The AC shall be appointed from amongst the Directors and no Alternate Director shall be a member of the AC. The AC shall comprise of at least three members but not more than five members, all of whom shall be Non-Executive Directors with a majority being Independent Directors. At least one (1) member of the AC shall be:-

- (i) a member of the Malaysian Institute of Accountants (MIA); or
- (ii) if not a member of MIA, must have at least three (3) years' working experience, and
  - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - (b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
 Or
- (iii) fulfils such other requirements as prescribed or approved by the Exchange.\*

\*Pursuant to Practice Note 13 of the Listing Requirements, the following qualifications are also acceptable:-

- (a) Either one of the following qualifications and at least three years' post-qualification experience in accounting or finance;
  - (i) a degree/masters/doctorate in accounting or finance; or
  - (ii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants.
 Or
- (b) At least seven years' experience being a chief finance officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.





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

### 2. TERMS OF REFERENCE OF AC (Cont'd)

#### 2.1 Composition (Cont'd)

The Chairman of the AC shall be an Independent Non-Executive Director.

Members of the AC may relinquish their membership with prior written notice to the Secretary of the AC and may continue to serve as Directors of the Company. In the event of any vacancy in the AC, the vacancy shall be filled within three months, and the Nomination Committee shall review and recommend for the Board's approval another appropriate Director to fill the vacancy.

#### 2.2 Objectives

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

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

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

#### 2.3 Duties and Responsibilities

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

- to review with the external auditors the scope of their audit plan, their evaluation of the system of internal control and the audit reports on the financial statements;
- to review the quarterly financial statements with management prior to the approval by the Board;
- to review the annual financial statements with management and the external auditors prior to the approval by the Board;
- to do the following, in relation to internal audit function:-
  - consider and recommend the appointment, termination and fee of the internal auditors;
  - review the performance appraisal of internal audit function's staff and to approve the appointment or termination of senior staff members of the internal audit function;
  - provide the resigning staff member an opportunity to submit his reason of resignation;
  - review the adequacy of the competency of the internal audit function and to ensure co-ordination of external audit with internal audit;
  - review the internal audit program and to consider the results of the internal audit investigations and management's response to ensure that appropriate action are taken on the recommendations of the internal audit function;
- to carry out in-depth review of major findings on internal investigations by both internal and external auditors and ensure that management respond to recommended corrective measures;
- to consider compliance of statutory legislation or guidelines as imposed by the relevant authorities which will include but not limited to that imposed by the Securities Commission, Bursa and the Companies Commission of Malaysia;
- to review and report any related party transactions that may arise within the Company;
- to review all significant transactions whether they are in the normal course of business or otherwise;
- to consider and recommend external auditors' appointment, remuneration and any questions of resignation or dismissal of the external auditors;
- to review the adequacy of the competency of the external auditors;
- to ensure that the Company immediately notify Bursa the resignation or removal of external auditors and forward a copy of the written explanation of the resignation made by the external auditors to Bursa and Registrar of Companies;



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

### 2. TERMS OF REFERENCE OF AC (Cont'd)

#### 2.3 Duties and Responsibilities (Cont'd)

- to review and report on areas of conflict of interest; to meet the external auditors without the presence of the management at least once a year; and
- to consider any other topics as may be defined by the Board and directed by the Board from time to time.

#### 2.4 Authority

In conducting its duties and responsibilities, the AC shall be granted the authority to investigate any matters of the Company and/or its subsidiaries within its Terms of Reference. The AC shall have access to the Chief Financial Officer and to any information pertaining to the Company for the purpose of discharging its functions and responsibilities.

The AC shall have direct communication channels with the external auditors and have direct authority over the internal audit function of which is independent from management and operation. The AC may obtain independent professional advice and to invite outsiders who having the relevant experience and expertise to attend the meetings, if necessary, and be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company.

#### 2.5 Meetings

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

In line with its Terms of Reference, AC carried out the following activities during the financial year ended 31 December 2015:-

- i) Reviewed with the Management the unaudited quarterly financial results and report for Board's approval prior to public release;
- ii) Reviewed with the External Auditors the audited financial statements of the Company and Group for the financial year ended 31 December 2015 prior to its submission to the Board for approval;
- iii) Reviewed the Report on the AC and the Statement on Risk Management and Internal Control for Board's approval for inclusion in the Annual Report for 2015;
- iv) Reviewed the draft Circular to Shareholders in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature for Board's approval prior to circulation;
- v) Reviewed with the Internal Auditors the internal audit plan and the internal audit reports;
- vi) Reviewed with the External Auditors the external audit plan and the external auditors' reports;
- vii) Reviewed and appraised the external auditors' performance for recommendation for re-appointment;
- viii) Reviewed the Risk Management reports and examined issues of weak internal controls and risk management procedures;
- ix) Reviewed the related party transactions that arose within the Group;
- x) Reviewed with the Internal Auditors all RRPT of a revenue and trading nature;
- xi) Reviewed with the Management the financial budgets prior to Board approval;
- xii) Reviewed with Management the capital commitments, liquidity position, net current liabilities position, debt service cover ratio, contingent liabilities, bank financing facilities and material litigation of the Group.

### 3. Internal Audit Functions and Activities

A summary of the internal audit functions and activities conducted during the financial year is set out under the Statement on Risk Management and Internal Control on pages 27 to 28 of this Annual Report.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### INTRODUCTION

The Board of Directors of Harn Len Corporation Bhd is committed to maintain sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets.

As a follow through from the previous year's report, the Board of Directors is pleased to present a status review of the Group's state of risk management and internal control framework for financial year ended 31 December 2015 and up to the date of signing of this statement. This Statement of Risk Management and Internal Control is prepared pursuant to paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad and the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

### BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for maintaining sound system of risk management and internal control that supports the achievement of Harn Len Group of Companies' ("the Group") policies, aims and objectives, whilst safeguarding the shareholders' interest and the Group's assets. The Board has in place an on-going process for reviewing the adequacy and the effectiveness of the Group's risk management and internal control system, including system for compliance with relevant laws, regulations, rules, directives and guidelines.

The Board also acknowledges that a sound system of risk management and internal control can only reduce, but cannot eliminate the possibility of poor judgment in decision making, human error, control process being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. Accordingly, the system can only provide reasonable but not absolute assurance against failing to achieve business objectives or all material misstatement, operation failures, fraud, losses or breaches of law or regulations.

### RISK MANAGEMENT FRAMEWORK

The Board recognises that having a formal risk management framework in place is essential to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives. An Enterprise Risk Management ("ERM") framework has been implemented since 2007 to ensure that structured and consistent approaches and methods are practiced in the on-going process of identifying, evaluating, managing and monitoring the significant risks that affect the attainment of the Group's business objectives and goals.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee ("RMC"). The RMC is responsible to implement the Group's risk management policy and report directly to the Board on the results of identification, evaluation and management of significant risks faced by the Group. The RMC has in its quarterly meetings reviewed and identified the major risks of the Group.

### INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an external consultant who reports directly to the Audit Committee. During the financial year ended 31 December 2015 and up to the date of signing of this statement, there were five (5) meetings held.

The internal audit function assists the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control system.

An internal audit plan which sets out the areas to be audited by the Internal Auditors was prepared based on the review of risk reports prepared by the RMC as well as discussions with the management and members of the Audit Committee. The internal audit plan was reviewed and approved by the Audit Committee to ensure adequate coverage before the commencement of the audit work for the year.

During the financial year and up to the date of this statement, the internal auditors have carried out three (3) reviews covering three (3) areas identified according to the approved risk-based internal audit plan. The results of the internal audit observations, recommendations, management comments and any necessary corrective actions were reported directly to the Audit Committee. The Management will follow through the implementation status of the management action plans in addressing the findings highlighted by the internal auditors.



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

### OTHER CONTROL PROCESSES

The Board is committed towards maintaining a strong control structure and environment for the proper conduct of the Group's business operations and towards achieving a sound system of internal control. The Group has the following control processes in place for its control environment:

- Organisation structure with reporting line.
- All key operating subsidiary companies of the Group are required to prepare budgets for the coming year.
- Documented internal policies and standard operating procedures covering various processes to govern the Group's operations.
- Policies and Procedures are updated where necessary to reflect changes in operations and business requirements. Changes in policies and procedures are communicated to all staff members via circulars and internal memorandums.
- Monthly submission of appropriate reports covering all divisions and departments within the Group for monitoring of actual performance.
- Monthly visits to key operating units by Board members and Senior Management, whenever appropriate.
- Financial information system in place to capture and present timely and pertinent internal business information.
- Employees' competencies are enhanced through continuous training and education programmes.

### ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND THE CHIEF FINANCIAL OFFICER

In line with the Guidelines, the Managing Director and Chief Financial Officer have provided assurance to the Board that the Group's overall risk management and internal control system is operating adequately and effectively, in all material aspects, in meeting the Group's objectives during the financial year under review and up to the date of this statement.

### CONCLUSION

The Board is of the view that the risk management and internal control system of the Group are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report, except for the write off of deposit for the proposed investment in Indonesia as disclosed in Note 10 to the financial statements. The Board will enhance the risk management and internal control system to mitigate the risk arising from such issues.





## ADDITIONAL COMPLIANCE INFORMATION

### 1. Non-Audit Fees

The amount of non-audit fees incurred during the year to the external auditors, Messrs KPMG and its affiliates by the Company and its subsidiaries for the financial year ended 31 December 2015 are as follows :

- |     |                                   |   |          |
|-----|-----------------------------------|---|----------|
| i)  | KPMG Malaysia                     | - | RM16,500 |
| ii) | Local affiliates of KPMG Malaysia | - | RM52,000 |

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

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

### 3. Material contracts

The following material contract was entered into within the two (2) years immediately preceding the date of this Annual Report 2015.

A Sale and Purchase Agreement was entered into with Super Golden Properties Sdn Bhd on 27 June 2014 for the sale of the following seven (7) pieces of land for a total purchase consideration of RM15,999,701-25 :

- (i) GM 64 Lot 2795 measuring approximately 2.0614 hectares,
- (ii) GM 71 Lot 2803 measuring approximately 1.9905 hectares,
- (iii) GM 72 Lot 2804 measuring approximately 1.9602 hectares,
- (iv) GM 74 Lot 2806 measuring approximately 1.9855 hectares,
- (v) GM 75 Lot 2807 measuring approximately 2.0917 hectares,
- (vi) GM 76 Lot 2808 measuring approximately 2.026 hectares,
- (vii) GM 77 Lot 2809 measuring approximately 2.0411 hectares,

all in the Mukim of Kulai, District of Kulaijaya, Johor Darul Takzim.

### 4. Contracts Relating To Loan

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

### 5. Utilisation of Proceeds

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

### 6. Share Buy-Back

The Company purchased 1,000 Harn Len shares during the financial year.

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

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

### 8. Sanctions and/or Penalties

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

### 9. Variation in results

There were no variances of more than 10% for the audited results of the Group from the unaudited results as announced on 26 February 2016.

### 10. Profit Guarantee

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

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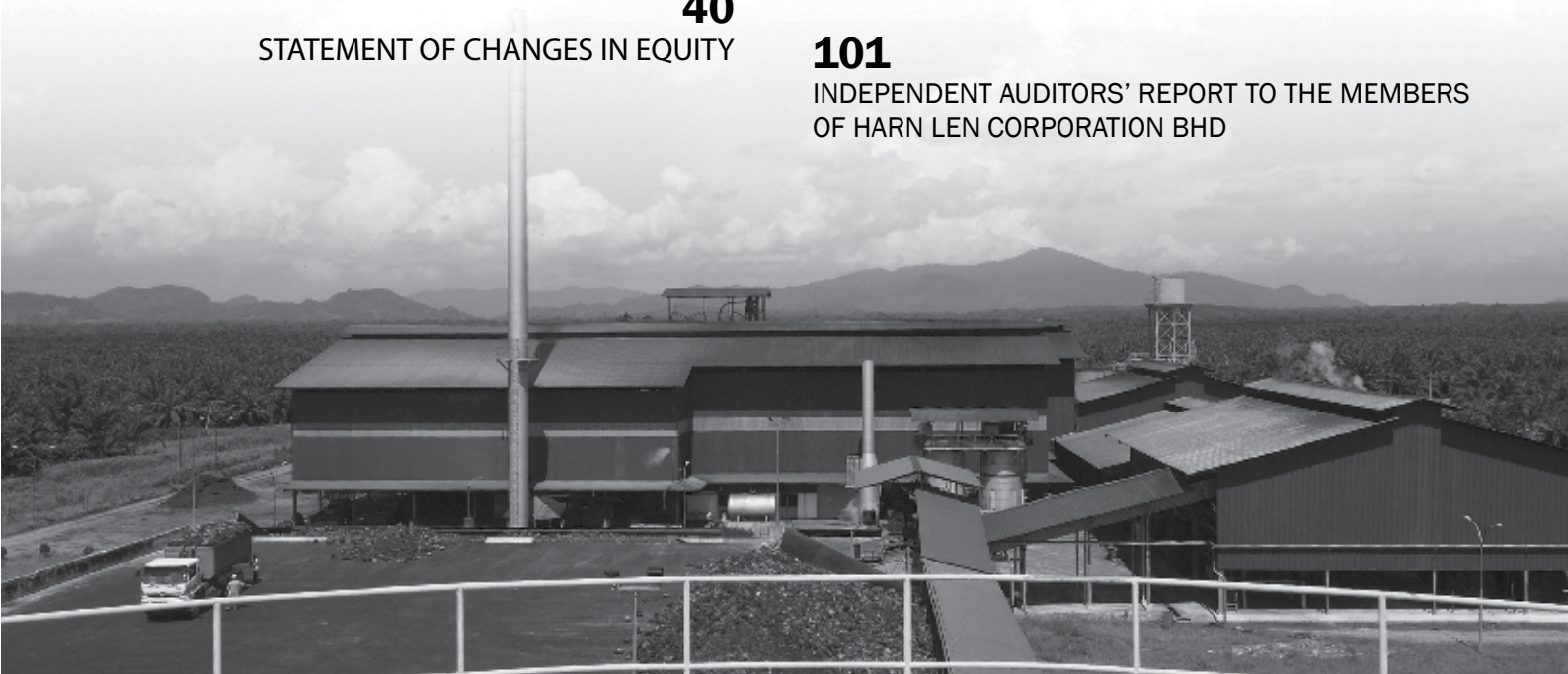


汉联机构有限公司  
HARN LEN CORPORATION BHD.  
(502606-H)

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# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

### Principal activities

The principal activities of the Company consist of those relating to the cultivation of oil palm, operation of palm oil mill, property investment and investment holding.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### Results

	Group RM	Company RM
Loss for the year attributable to:		
Owners of the Company	14,061,550	57,401,850
Non-controlling interests	5,600,494	--
	<u>19,662,044</u>	<u>57,401,850</u>

### Reserves and provisions

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

### Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

### Directors of the Company

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

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



## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

### Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Name of Directors	Interest	Number of ordinary shares of RM1.00 each			At 31 December 2015
		At 1 January 2015	Bought	Sold	
<b>Company</b>					
Puan Sri Datin Chan Pui Leorn	Direct	550,000	--	--	550,000
	Deemed	124,676,608 <sup>*1</sup>	925,000	(925,000)	124,676,608 <sup>*1</sup>
Mr. Low Quek Kiong	Direct	75,000	--	--	75,000
	Deemed	125,151,608 <sup>*2</sup>	925,000	(925,000)	125,151,608 <sup>*2</sup>
Mr. Low Kueck Shin	Deemed	125,226,608 <sup>*3</sup>	925,000	(925,000)	125,226,608 <sup>*3</sup>
Mr. Low Kwek Lee	Deemed	125,226,608 <sup>*3</sup>	925,000	(925,000)	125,226,608 <sup>*3</sup>
Mr. Low Kuek Kong	Deemed	125,226,608 <sup>*3</sup>	925,000	(925,000)	125,226,608 <sup>*3</sup>
Mr. Low Kok Yong	Direct	720,000	--	--	720,000
	Deemed	124,506,608 <sup>*4</sup>	925,000	(925,000)	124,506,608 <sup>*4</sup>
Mr. Low Kok Yaow	Deemed	125,226,608 <sup>*3</sup>	925,000	(925,000)	125,226,608 <sup>*3</sup>
Mr. Lee Chon Sing	Direct	1	--	--	1
Mr. Loh Wann Yuan	Direct	1	--	--	1
<b>Subsidiary</b>					
<b>- Harn Len Pelita Benganan Sdn. Bhd.</b>					
Puan Sri Datin Chan Pui Leorn	Deemed	2,854,083	--	--	2,854,083
Mr. Low Quek Kiong	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kueck Shin	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kwek Lee	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kuek Kong	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kok Yong	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kok Yaow	Deemed	2,854,083	--	--	2,854,083

\*1 By virtue of her interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by her immediate family members, Tan Sri Dato' Low Nam Hui (Deceased), Mr. Low Quek Kiong, Mr. Low Kok Yong and Ms. Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

\*2 By virtue of his interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by his immediate family members, Tan Sri Dato' Low Nam Hui (Deceased), Puan Sri Datin Chan Pui Leorn, Mr. Low Kok Yong and Ms. Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

\*3 By virtue of his interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by his immediate family members, Tan Sri Dato' Low Nam Hui (Deceased), Puan Sri Datin Chan Pui Leorn, Mr. Low Quek Kiong, Mr. Low Kok Yong and Ms. Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.





## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

\*4 By virtue of his interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd, Yong Yaow Properties Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by his immediate family members, Tan Sri Dato' Low Nam Hui (Deceased), Puan Sri Datin Chan Pui Leorn, Mr. Low Quek Kiong and Ms. Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with the Company and certain subsidiaries in the ordinary course of business as disclosed in Note 32 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Issue of shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

### Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

### Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.



## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)**

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the impairment losses and write off of deposit as disclosed in Note 20 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### **Auditors**

The auditors, Messrs KPMG, retire and do not wish to seek re-appointment.

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

**Low Quek Kiong**

**Low Kueck Shin**

Johor Bahru

Date: 22 April 2016



## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Assets</b>					
Property, plant and equipment	3	262,277,555	278,254,243	142,263,252	154,263,911
Biological assets	4	125,151,721	116,872,304	17,947,273	17,864,668
Investment properties	5	23,664,851	20,814,532	14,486,058	4,644,070
Investments in subsidiaries	6	--	--	107,088,686	80,284,034
Goodwill on consolidation	7	5,794,799	5,794,799	--	--
Deferred tax assets	8	1,820,900	--	1,820,900	--
<b>Total non-current assets</b>		<u>418,709,826</u>	<u>421,735,878</u>	<u>283,606,169</u>	<u>257,056,683</u>
Inventories	9	6,326,738	5,331,079	835,365	1,315,566
Trade and other receivables	10	13,415,877	9,883,488	38,147,872	160,234,936
Tax recoverable		854,926	575,462	364,122	364,122
Cash and cash equivalents	11	10,430,278	2,902,113	1,591,658	1,817,008
		31,027,819	18,692,142	40,939,017	163,731,632
Assets classified as held for sale	12	13,600,000	--	--	--
<b>Total current assets</b>		<u>44,627,819</u>	<u>18,692,142</u>	<u>40,939,017</u>	<u>163,731,632</u>
<b>Total assets</b>		<u>463,337,645</u>	<u>440,428,020</u>	<u>324,545,186</u>	<u>420,788,315</u>
<b>Equity</b>					
Share capital		185,477,159	185,477,159	185,477,159	185,477,159
Reserves		140,889,961	154,952,455	97,342,678	154,745,472
<b>Equity attributable to owners of the Company</b>	13	326,367,120	340,429,614	282,819,837	340,222,631
<b>Non-controlling interests</b>	14	(13,764,989)	(8,164,495)	--	--
<b>Total equity</b>		<u>312,602,131</u>	<u>332,265,119</u>	<u>282,819,837</u>	<u>340,222,631</u>
<b>Liabilities</b>					
Deferred tax liabilities	8	12,650,081	11,803,510	--	112,000
Retirement benefits	15	760,000	754,000	760,000	754,000
Loans and borrowings	16	41,531,787	28,997,638	6,903,745	7,714,824
<b>Total non-current liabilities</b>		<u>54,941,868</u>	<u>41,555,148</u>	<u>7,663,745</u>	<u>8,580,824</u>

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


**STATEMENTS OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2015 (Cont'd)**

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Liabilities</b>					
Trade and other payables	17	50,965,557	45,314,023	18,290,079	59,305,887
Dividend payable		--	5,564,315	--	5,564,315
Taxation		608,320	267,911	--	--
Loans and borrowings	16	44,219,769	15,461,504	15,771,525	7,114,658
<b>Total current liabilities</b>		<u>95,793,646</u>	<u>66,607,753</u>	<u>34,061,604</u>	<u>71,984,860</u>
<b>Total liabilities</b>		<u>150,735,514</u>	<u>108,162,901</u>	<u>41,725,349</u>	<u>80,565,684</u>
<b>Total equity and liabilities</b>		<u>463,337,645</u>	<u>440,428,020</u>	<u>324,545,186</u>	<u>420,788,315</u>

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



## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	18	243,183,368	271,581,626	93,266,182	147,648,208
Cost of goods sold		(199,782,502)	(222,323,025)	(80,007,512)	(101,166,293)
<b>Gross profit</b>	18	43,400,866	49,258,601	13,258,670	46,481,915
Other income		431,696	4,709,299	169,564	3,409,043
Administrative expenses		(29,401,385)	(26,686,831)	(19,136,771)	(18,160,157)
Distribution expenses		(18,254,399)	(17,459,441)	(2,434,351)	(2,197,873)
Other expenses		(11,739,370)	(313,674)	(53,631,992)	(7,699,999)
<b>Results from operating activities</b>		(15,562,592)	9,507,954	(61,774,880)	21,832,929
Finance income		9,288	9,296	4,874,093	5,222,252
Finance costs	19	(3,125,694)	(2,052,373)	(2,433,963)	(3,361,359)
<b>Net finance (costs)/income</b>		(3,116,406)	(2,043,077)	2,440,130	1,860,893
<b>(Loss)/Profit before tax</b>	20	(18,678,998)	7,464,877	(59,334,750)	23,693,822
Tax (expense)/income	21	(983,046)	(5,627,005)	1,932,900	526,558
<b>(Loss)/Profit for the year/ Total comprehensive (expense)/income for the year</b>		<u>(19,662,044)</u>	<u>1,837,872</u>	<u>(57,401,850)</u>	<u>24,220,380</u>
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(14,061,550)	2,435,476	(57,401,850)	24,220,380
Non-controlling interests		(5,600,494)	(597,604)	--	--
<b>(Loss)/Profit for the year/ Total comprehensive (expense)/income for the year</b>		<u>(19,662,044)</u>	<u>1,837,872</u>	<u>(57,401,850)</u>	<u>24,220,380</u>
Basic (loss)/earnings per ordinary share (sen)	22	<u>(7.6)</u>	<u>1.3</u>		

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




**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 DECEMBER 2015**

Group	Attributable to owners of the Company							Total equity RM
	Share capital RM	Share premium RM	Treasury share RM	Capital reserve RM	Distributable Retained earnings RM	Non-controlling interests RM	Total RM	
<b>At 1 January 2014</b>	185,477,159	6,634,854	--	6,268,000	154,452,298	(7,566,891)	352,832,311	345,265,420
Profit and total comprehensive income for the year	--	--	--	--	2,435,476	(597,604)	2,435,476	1,837,872
<i>Contributions by and distributions to owners of the Company</i>								
Dividends to owners of the Company/								
<b>Total transactions with owners of the Company</b>	--	--	--	--	(14,838,173)	--	(14,838,173)	(14,838,173)
<b>At 31 December 2014</b>	185,477,159	6,634,854	--	6,268,000	142,049,601	(8,164,495)	340,429,614	332,265,119
Loss and total comprehensive expense for the year	--	--	--	--	(14,061,550)	(5,600,494)	(14,061,550)	(19,662,044)
<i>Contributions by and distributions to owners of the Company</i>								
Own shares acquired/			(944)	--	--	--	(944)	(944)
<b>Total transactions with owners of the Company</b>	--	6,634,854	(944)	6,268,000	127,988,051	(13,764,989)	326,367,120	312,602,131
<b>At 31 December 2015</b>	185,477,159	6,634,854	(944)	6,268,000	127,988,051	(13,764,989)	326,367,120	312,602,131

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



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

Company	Note	Attributable to owners of the Company				Total equity RM
		Share capital RM	Non-distributable Share premium RM	Treasury shares RM	Capital reserve RM	
<b>At 1 January 2014</b>		185,477,159	6,634,854	--	6,268,000	330,840,424
Profit and total comprehensive income for the year		--	--	--	--	24,220,380
<i>Contributions by and distributions to owners of the Company</i>						
Dividends to owners of the Company/ <b>Total transactions with owners of the Company</b>	23	--	--	--	--	(14,838,173)
<b>At 31 December 2014</b>		185,477,159	6,634,854	--	6,268,000	340,222,631
Loss and total comprehensive expense for the year		--	--	--	--	(57,401,850)
<i>Contributions by and distributions to owners of the Company</i>						
Own shares acquired/ <b>Total transactions with owners of the Company</b>	13	--	--	(944)	--	(944)
<b>At 31 December 2015</b>		185,477,159	6,634,854	(944)	6,268,000	282,819,837

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


**STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2015**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Cash flows from operating activities</b>				
(Loss)/Profit before tax	(18,678,998)	7,464,877	(59,334,750)	23,693,822
Adjustments for:				
Depreciation and amortisation	20,191,943	18,191,311	6,288,863	5,632,910
Finance costs	3,125,694	2,052,373	2,433,963	3,361,359
Impairment loss of:				
- Investment in subsidiaries	--	--	8,816,164	7,699,999
- Due from subsidiaries	--	--	43,452,000	--
- Biological assets	5,879,148	--	--	--
- Property, plant and equipment	1,562,990	--	--	--
- Investment properties	2,195,279	--	--	--
Palm oil seeding written off	141,040	--	141,040	--
Retirement benefits	6,000	94,200	6,000	94,200
Write off of deposit	1,363,828	--	1,363,828	--
Dividend income	--	--	(3,937,876)	(39,378,760)
Finance income	(9,288)	(9,296)	(4,874,093)	(5,222,252)
Gain on disposal of property, plant and equipment, investment properties and biological assets	(229,375)	(3,326,224)	(34,849)	(3,306,225)
<b>Operating profit/(loss) before changes in working capital</b>	<b>15,548,261</b>	<b>24,467,241</b>	<b>(5,679,710)</b>	<b>(7,424,947)</b>
Changes in inventories	(1,136,699)	(208,027)	339,161	(23,709)
Changes in trade and other receivables	(4,896,217)	73,935,867	1,067,577	(1,296,680)
Changes in trade and other payables	3,203,091	5,148,588	1,210,195	2,039,086
<b>Cash generated from/ (used in) operations</b>	<b>12,718,436</b>	<b>103,343,669</b>	<b>(3,062,777)</b>	<b>(6,706,250)</b>
Tax (paid)/refunded	(1,896,430)	(1,418,038)	--	69,576
<b>Net cash from/(used in) operating activities</b>	<b>10,822,006</b>	<b>101,925,631</b>	<b>(3,062,777)</b>	<b>(6,636,674)</b>

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



## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Cash flows from investing activities</b>					
Acquisition of:					
- property, plant and equipment	24	(7,401,587)	(16,622,374)	(3,260,460)	(4,482,516)
- biological assets	25	(21,694,327)	(15,246,413)	(848,121)	(485,122)
- investment properties	26	(2,814,304)	(2,937,899)	(65,860)	(597,817)
Increase in investment in a subsidiary		--	--	(1,999,998)	--
Interest received		9,288	9,296	4,874,093	5,222,252
Change in pledge deposits		5,713	(44,296)	5,713	(44,296)
Proceeds from disposal of property, plant and equipment, investment properties and biological assets		349,626	15,403,964	155,093	15,383,964
Advances from/(to) subsidiaries		--	--	356,838	43,375,948
<b>Net cash (used in)/from investing activities</b>		<u>(31,545,591)</u>	<u>(19,437,722)</u>	<u>(782,702)</u>	<u>58,372,413</u>
<b>Cash flows from financing activities</b>					
Interest paid		(4,038,980)	(2,688,341)	(2,433,963)	(3,713,243)
Dividend received		--	--	3,937,876	39,378,760
Dividend paid		(5,564,315)	(46,369,290)	(5,564,315)	(46,369,290)
Repayment of finance lease liabilities		(2,703,434)	(1,473,631)	(668,695)	(331,468)
Drawdown of term loans		12,636,826	820,000	--	820,000
Repayment of term loans		(263,656)	(26,613,188)	(236,594)	(26,613,188)
Repurchase of treasury shares		(944)	--	(944)	--
<b>Net cash from/(used in) financing activities</b>		<u>65,497</u>	<u>(76,324,450)</u>	<u>(4,966,635)</u>	<u>(36,828,429)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(20,658,088)	6,163,459	(8,812,114)	14,907,310
<b>Cash and cash equivalents at 1 January</b>		<u>(9,684,721)</u>	<u>(15,848,180)</u>	<u>(4,844,495)</u>	<u>(19,751,805)</u>
<b>Cash and cash equivalents at 31 December</b>		<u>(30,342,809)</u>	<u>(9,684,721)</u>	<u>(13,656,609)</u>	<u>(4,844,495)</u>

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



## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances	10,101,384	2,567,506	1,262,764	1,482,401
Bank overdrafts	(40,444,193)	(12,252,227)	(14,919,373)	(6,326,896)
	<u>(30,342,809)</u>	<u>(9,684,721)</u>	<u>(13,656,609)</u>	<u>(4,844,495)</u>

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





## NOTES TO THE FINANCIAL STATEMENTS

Harn Len Corporation Bhd is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the registered office/principal place of business of the Company is as follows:

### Registered office/Principal place of business

6th Floor, Johor Tower  
No. 15, Jalan Gereja  
80100 Johor Bahru  
Johor, Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial years ended 31 December 2015 do not include other entities.

The principal activities of the Company consist of those relating to the cultivation of oil palm, operation of palm oil mill, property investment and investment holding. The principal activities of the subsidiaries are disclosed in Note 6.

These financial statements were authorised for issue by the Board of Directors on 22 April 2016.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (“FRS”) and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

#### *FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016*

- FRS 14, *Regulatory Deferral Accounts*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements*, FRS 12, *Disclosure of Interests in Other Entities* and FRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*



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

### (a) Statement of compliance (continued)

#### *FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)*

- Amendments to FRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to FRS 116, *Property, Plant and Equipment* and FRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

#### *FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017*

- Amendments to FRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

#### *FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018*

- FRS 9, *Financial Instruments (2014)*

#### *FRSs, Interpretations and amendments effective from a date yet to be confirmed*

- Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial years when the above standards, amendments and interpretations become effective.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The other standards, amendments, interpretations and improvements are either not applicable or are not expected to have any material impact on the financial statements of the Group and of the Company.

The Group and the Company falls within the scope of MFRS 141, *Agriculture*. Therefore, the Group and the Company are currently exempted from adopting the Malaysian Financial Reporting Standards (“MFRS”) and is referred to as a “Transitioning Entity”.

The Group’s and the Company’s financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs).

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis.

As at 31 December 2015, the Group’s current liabilities exceeded their current assets by RM51,165,827 (2014: RM47,915,611). The financial statements of the Group continued to be prepared on the going concern basis as it is the intention of the Group to continue their operations as going concerns.



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

### (b) Basis of measurement (continued)

Notwithstanding the net current liabilities position, as a plantation and property owner, the Group still has significant long term assets which it could use as security for banking facilities.

The Directors are of the opinion that the current market outlook and prices of oil palm produces and the relationship with banks would enhance the Group's ability to secure adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 1(b) - going concern
- Note 3 - property, plant and equipment
- Note 4 - biological assets
- Note 5 - investment properties
- Note 7 - valuation of goodwill on consolidation
- Note 8 - recognition of deferred tax assets on unutilised tax losses and unabsorbed capital allowances
- Note 29 - contingent liabilities

## 2. Significant accounting policies

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

### (a) Basis of consolidation

#### (i) Subsidiaries

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



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

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

#### (i) Subsidiaries (continued)

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

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

#### (ii) Business combinations

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

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

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

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

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

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

#### (iii) Acquisitions of non-controlling interests

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

#### (iv) Loss of control

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



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

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

#### (v) Non-controlling interests

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

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

#### (vi) Transactions eliminated on consolidation

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

### (b) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### *Financial assets*

#### (a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.





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

### (b) Financial instruments (continued)

#### (ii) Financial instrument categories and subsequent measurement (continued)

##### *Financial assets (continued)*

##### (a) *Financial assets at fair value through profit or loss (continued)*

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (b) *Held-to-maturity investments*

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

##### (c) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

##### (d) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).



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

### (b) Financial instruments (continued)

#### (ii) Financial instrument categories and subsequent measurement (continued)

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.



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

### (b) Financial instruments (continued)

#### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (c) Property, plant and equipment

#### (i) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

#### (ii) Subsequent costs

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



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

### (c) Property, plant and equipment (continued)

#### (iii) Depreciation

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

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

Leasehold land is amortised in equal instalments over the period of the respective leases which range from sixty (60) to ninety-seven (97) years.

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

Estate buildings	25 years
Roads and bridges	10 years
Plant and machinery	10 years
Motor vehicles, furniture, fittings and equipment	5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

### (d) Biological assets

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

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

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

All replanting expenditure is also capitalised in plantation development expenditure and amortised on the above mentioned basis.

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



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

### (e) Investment property

#### (i) Investment property carried at cost

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

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

Freehold land is not depreciated.

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

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

#### (ii) Reclassification to/from investment property

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

### (f) Leased assets

#### (i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for in the period in which they are incurred.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.



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

### (f) Leased assets (continued)

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

### (g) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

#### (ii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

### (h) Inventories

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

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

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

### (i) Non-current assets held for sale or distribution to owners

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





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

### (i) Non-current assets held for sale or distribution to owners (continued)

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

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

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

### (j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (k) Impairment

#### (i) Financial assets

All financial assets except for investments in subsidiaries are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.



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

### (k) Impairment (continued)

#### (i) Financial assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amounts of other assets except for inventories and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.



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

### (l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### Repurchase, disposal and re-issue of share capital

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

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

### (m) Affiliated company

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

### (n) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (ii) Services rendered

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

#### (iii) Rental income

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

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

#### (iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.



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

### (n) Revenue and other income (continued)

#### (v) Interest income

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

### (o) Income tax

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (p) Borrowing costs

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

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

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

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



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

### (q) Employee benefits

#### (i) Short-term employee benefits

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

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

#### (ii) State plans

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

#### (iii) Retirement benefits

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

### (r) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise Convertible notes and share options granted to employees.

### (s) Operating segments

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



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

### (t) Contingent liabilities

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

### (u) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

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

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




**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
**3. Property, plant and equipment**

Group	Note	Land and buildings RM	Roads and bridges RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Construction -in-progress RM	Total RM
<b>At cost</b>							
At 1 January 2014		235,227,907	19,289,765	40,969,612	29,409,281	8,202,660	333,099,225
Additions		21,719,884	210,545	2,138,772	13,650,090	3,426,692	41,145,983
Disposals		--	--	--	(1,161,334)	--	(1,161,334)
Transfer to investment properties		(3,691,856)	--	--	--	--	(3,691,856)
Transfer		--	--	1,106,200	--	(1,106,200)	--
At 31 December 2014/1 January 2015		253,255,935	19,500,310	44,214,584	41,898,037	10,523,152	369,392,018
Additions		1,260,147	79,600	2,420,805	4,522,205	2,549,542	10,832,299
Disposals		--	--	--	(1,193,651)	--	(1,193,651)
Transfer to assets held for sales	12	(11,680,516)	(721,003)	--	--	--	(12,401,519)
Transfer		10,284,805	--	969,600	540,139	(11,794,544)	--
At 31 December 2015		253,120,371	18,858,907	47,604,989	45,766,730	1,278,150	366,629,147
<b>Accumulated depreciation</b>							
At 1 January 2014		29,421,338	13,074,886	15,103,400	20,647,356	--	78,246,980
Depreciation charge		4,688,167	1,703,888	4,059,260	3,729,787	--	14,181,102
Transfer to investment properties		(128,976)	--	--	--	--	(128,976)
Disposals		--	--	--	(1,161,331)	--	(1,161,331)
At 31 December 2014/1 January 2015		33,980,529	14,778,774	19,162,660	23,215,812	--	91,137,775
Depreciation charge		5,100,024	1,265,972	4,112,956	5,233,105	--	15,712,057
Transfer to assets held for sales	12	(1,117,390)	(307,450)	--	--	--	(1,424,840)
Disposals		--	--	--	(1,073,400)	--	(1,073,400)
At 31 December 2015		37,963,163	15,737,296	23,275,616	27,375,517	--	104,351,592



### Notes to the financial statements (Cont'd)

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

	Note	Land and buildings RM	Roads and bridges RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Construction -in-progress RM	Total RM
<b>Accumulated impairment loss</b>							
At 1 January 2014/31 December 2014		--	--	--	--	--	--
At 1 January 2015		--	--	--	--	--	--
Impairment loss		1,517,686	45,304	--	--	--	1,562,990
Transfer to assets held for sales	12	(1,517,686)	(45,304)	--	--	--	(1,562,990)
At 31 December 2015		--	--	--	--	--	--
<b>Carrying amounts</b>							
At 1 January 2014		205,806,569	6,214,879	25,866,212	8,761,925	8,202,660	254,852,245
At 31 December 2014/1 January 2015		219,275,406	4,721,536	25,051,924	18,682,225	10,523,152	278,254,243
At 31 December 2015		215,157,208	3,121,611	24,329,373	18,391,213	1,278,150	262,277,555
<b>Company</b>							
<b>At cost</b>							
At 1 January 2014		161,205,520	541,800	13,548,774	13,624,420	7,754,460	196,674,974
Additions		130,460	--	1,175,519	2,519,605	2,756,472	6,582,056
Disposal		--	--	--	(1,000,240)	--	(1,000,240)
At 31 December 2014/1 January 2015		161,335,980	541,800	14,724,293	15,143,785	10,510,932	202,256,790
Additions		15,000	--	1,191,353	260,565	1,952,142	3,419,060
Disposal		--	--	--	(228,286)	--	(228,286)
Transfer		--	--	429,600	540,139	(969,739)	--
Transfer to investment properties	5	--	--	--	--	(10,284,805)	(10,284,805)
At 31 December 2015		161,350,980	541,800	16,345,246	15,716,203	1,208,530	195,162,759



### Notes to the financial statements (Cont'd)

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

	Land and buildings RM	Roads and bridges RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Construction -in-progress RM	Total RM
<b>Accumulated depreciation</b>						
At 1 January 2014	23,943,065	239,574	10,255,313	9,665,395	--	44,103,347
Depreciation charge	2,373,969	54,216	1,207,394	1,254,191	--	4,889,770
Disposal	--	--	--	(1,000,238)	--	(1,000,238)
At 31 December 2014/1 January 2015	26,317,034	293,790	11,462,707	9,919,348	--	47,992,879
Depreciation charge	2,375,309	54,216	1,162,202	1,422,943	--	5,014,670
Disposal	--	--	--	(108,042)	--	(108,042)
At 31 December 2015	28,692,343	348,006	12,624,909	11,234,249	--	52,899,507
<b>Carrying amounts</b>						
At 1 January 2014	137,262,455	302,226	3,293,461	3,959,025	7,754,460	152,571,627
At 31 December 2014/1 January 2015	135,018,946	248,010	3,261,586	5,224,437	10,510,932	154,263,911
At 31 December 2015	132,658,637	193,794	3,720,337	4,481,954	1,208,530	142,263,252
			<b>Group</b>	<b>2014</b>	<b>2015</b>	<b>Company</b>
			<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
			<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Carrying amounts of land and buildings</b>						
Freehold land			20,770,000	20,770,000	20,770,000	20,770,000
Long term leasehold land			129,276,699	131,995,216	74,156,773	75,402,649
Buildings			65,110,509	66,510,190	37,731,864	38,846,297
			215,157,208	219,275,406	132,658,637	135,018,946

As at the year end, the title to a leasehold land of a subsidiary involved in a joint venture plantation with a carrying amount of RM2,175,056 (2014: RM2,216,240) has yet to be issued by the relevant authority to the said subsidiary (Note 4 and 29).



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

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

#### Leasehold land

Included in addition of the Group is a compensation to Native Customary Rights' owners of RM128,127 (2014: RM2,688,925).

#### Security

Land and buildings of the Group and Company with a carrying amount of RM65,409,339 (2014: NIL) and RM55,519,550 (2014: NIL) respectively are charged to banks as security for banking facilities granted to the Company and a subsidiary.

Construction-in-progress of the Group and the Company with a carrying amount of NIL (2014: RM10,081,332) is charged to a bank as security for term loan facilities granted to the Company.

#### Leased motor vehicles

Included in the property, plant and equipment of the Group and of the Company are motor vehicles, equipment and tractors acquired under lease financing with carrying amount of RM12,084,228 (2014: RM12,556,380) and RM1,957,171 (2014: RM2,433,581) respectively. The leased motor vehicles secured lease obligation as stated in Note 16.

#### Others

Depreciation charge for property, plant and equipment is allocated as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Income statements	15,392,866	13,796,440
Biological assets	319,191	384,662
	<u>15,712,057</u>	<u>14,181,102</u>

Included in additions for property, plant and equipment of the Group/Company during the year are finance cost capitalised of NIL (2014: RM272,540).

### 4. Biological assets

	<b>Note</b>	<b>Plantation development expenditure - oil palm RM</b>	<b>Plantation development expenditure - teak tree RM</b>	<b>Total RM</b>
<b>Group</b>				
<b>At cost</b>				
At 1 January 2014		124,087,483	15,601	124,103,084
Additions		15,994,503	--	15,994,503
At 31 December 2014/1 January 2015		140,081,986	15,601	140,097,587
Additions		22,926,804	--	22,926,804
Transfer to assets held for sales	12	(4,265,459)	--	(4,265,459)
At 31 December 2015		<u>158,743,331</u>	15,601	<u>158,758,932</u>


**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
**4. Biological assets (continued)**

	Note	Plantation development expenditure - oil palm RM	Plantation development expenditure - teak tree RM	Total RM
<b>Accumulated amortisation</b>				
At 1 January 2014		18,932,588	--	18,932,588
Amortisation charge		4,292,695	--	4,292,695
At 31 December 2014/1 January 2015		23,225,283	--	23,225,283
Amortisation charge		4,581,928	--	4,581,928
At 31 December 2015		27,807,211	--	27,807,211
<b>Accumulated impairment loss</b>				
At 1 January 2014/31 December 2014		--	--	--
At 1 January 2015		--	--	--
Impairment loss		5,879,148	--	5,879,148
Transfer to assets held for sales	12	(79,148)	--	(79,148)
At 31 December 2015		5,800,000	--	5,800,000
<b>Carrying amounts</b>				
At 1 January 2014		105,154,895	15,601	105,170,496
At 31 December 2014/1 January 2015		116,856,703	15,601	116,872,304
At 31 December 2015		125,136,120	15,601	125,151,721
<b>Company</b>				
<b>At cost</b>				
At 1 January 2014				18,725,411
Additions				564,466
At 31 December 2014/1 January 2015				19,289,877
Additions				848,121
At 31 December 2015				20,137,998
<b>Accumulated amortisation</b>				
At 1 January 2014				751,745
Amortisation charge				673,464
At 31 December 2014/1 January 2015				1,425,209
Amortisation charge				765,516
At 31 December 2015				2,190,725
<b>Carrying amounts</b>				
At 1 January 2014				17,973,666
At 31 December 2014/1 January 2015				17,864,668
At 31 December 2015				17,947,273



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

### 4. Biological assets (continued)

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Finance costs	913,286	363,428	--	79,344
Depreciation and amortisation (see Note 3)	319,191	384,662	--	--
Personnel expenses (including key management personnel)				
- Wages, salaries and others	<u>226,020</u>	<u>211,898</u>	<u>24,906</u>	<u>46,331</u>

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

As at the year end, the title to the leasehold land of the subsidiary has yet to be issued by the relevant authority to the said subsidiary (Note 3 and 29).

#### Impairment loss

Impairment assessment has been carried out for the plantation estate that has incurred operating losses. The plantation estate is assessed together with the related property, plant and equipment as a cash-generating unit. The recoverable amount of the cash-generating unit is estimated based on their value in use, on the assumption that the Group maintain the rights to control the plantation estate.

The recoverable amount of the cash-generating unit estimated based on value in use method is RM40,607,000 comparing to the net book value of the loss making cash-generating unit of RM46,407,000 as at 31 December 2015.

The value in use calculation was based on the following key assumptions:

- Cash flows were projected based on a 20 years forecast and projections;
- Commodity price was projected based on current market price and remains constant throughout the projected period;
- A post tax discount rate of 10% was applied in determining the recoverable amount of the unit;
- Average palm yields ranging from 16 to 19 metric tonnes per hectares;
- Administration expenses were projected at annual increase of 5% per annum in the initial stage and 2.5% for remaining years; and
- Plantation expenditure was projected based on historical trend.





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

### 4. Biological assets (continued)

#### Impairment loss (continued)

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

Following the assessment, the estimated net recoverable amounts is lower than the carrying amounts as at 31 December 2015 and thus, an impairment loss of RM5,800,000 has been recognised as other operating expenses in the profit or loss. The impairment loss was allocated entirely to the biological assets.

After deducting the impairment in the cash-generating unit, the recoverable amount is equal to the carrying amount. Therefore, any adverse change in a key assumption may result in a further impairment loss.

The above estimates are particularly sensitive in the following areas:

- (i) An increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM3,100,000; and
- (ii) A 3% decrease in selling price would have increased the impairment loss by RM5,639,000.

### 5. Investment properties

Group	Land and building RM	Property development expenditure RM	Total RM
<b>At cost</b>			
At 1 January 2014	25,538,310	1,692,399	27,230,709
Additions	2,937,899	--	2,937,899
Transfer from property, plant and equipment	3,631,776	60,080	3,691,856
Disposal	(11,039,919)	--	(11,039,919)
At 31 December 2014/1 January 2015	21,068,066	1,752,479	22,820,545
Additions	5,262,747	--	5,262,747
At 31 December 2015	26,330,813	1,752,479	28,083,292
<b>Accumulated amortisation</b>			
At 1 January 2014	82,462	--	82,462
Amortisation charge	102,176	--	102,176
Transfer from property, plant and equipment	128,976	--	128,976
At 31 December 2014/1 January 2015	313,614	--	313,614
Amortisation charge	217,149	--	217,149
At 31 December 2015	530,763	--	530,763



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

### 5. Investment properties (continued)

	Land and building RM	Property development expenditure RM	Total RM
<b>Accumulated impairment losses</b>			
At 1 January 2014/31 December 2014	--	1,692,399	1,692,399
At 1 January 2015	--	1,692,399	1,692,399
Impairment losses	2,195,279	--	2,195,279
At 31 December 2015	2,195,279	1,692,399	3,887,678
<b>Carrying amount</b>			
At 1 January 2014	25,455,848	--	25,455,848
At 31 December 2014/1 January 2015	20,754,452	60,080	20,814,532
At 31 December 2015	23,604,771	60,080	23,664,851
		<b>Note</b>	<b>Land and building RM</b>
<b>Company</b>			
<b>At cost</b>			
At 1 January 2014			15,238,310
Addition			597,817
Disposal			(11,039,919)
At 31 December 2014/1 January 2015			4,796,208
Addition			65,860
Transfer from property, plant and equipment		3	10,284,805
At 31 December 2015			15,146,873
<b>Accumulated amortisation</b>			
At 1 January 2014			82,462
Amortisation charge			69,676
At 31 December 2014/1 January 2015			152,138
Amortisation charge			508,677
At 31 December 2015			660,815
<b>Carrying amount</b>			
At 1 January 2014			15,155,848
At 31 December 2014/1 January 2015			4,644,070
At 31 December 2015			14,486,058



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

### 5. Investment properties (continued)

Included in the above are:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>At cost</b>				
Freehold land	12,526,128	12,526,128	2,226,128	2,226,128
Long term leasehold land	8,708,502	5,810,382	3,230,774	--
Buildings	2,430,221	2,478,022	9,029,156	2,417,942
	<u>23,664,851</u>	<u>20,814,532</u>	<u>14,486,058</u>	<u>4,644,070</u>

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Rental income	<u>140,632</u>	<u>79,435</u>	<u>123,887</u>	<u>60,000</u>
Direct operating expenses:				
- income generating investment properties	142,478	73,020	96,867	26,749
- non-income generating investment properties	<u>541,789</u>	<u>153,524</u>	<u>438,301</u>	<u>56,536</u>

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

#### Security

Total leasehold land and building of the Company with a carrying amount of RM9,889,789 (2014: NIL) is charged to bank as security for facilities granted to the Company. The said properties are rented to a subsidiary and thus are reclassified to property, plant and equipment at the Group level.

#### Leasehold land

Included in addition of the Group is a compensation to Native Customary Rights' owners and other incidental costs of RM5,196,887 (2014: NIL).

#### Fair value information

Fair value of investment properties are categorised as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Freehold land and building	19,350,000	18,740,000	7,350,000	6,740,000
Long term leasehold land and building	<u>10,400,000</u>	<u>5,870,462</u>	<u>9,889,789</u>	<u>--</u>
	<u>29,750,000</u>	<u>24,610,462</u>	<u>17,239,789</u>	<u>6,740,000</u>

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following shows the valuation techniques used in the determination of fair values within Level 3.



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

### 5. Investment properties (continued)

#### *Description of Valuation Technique*

Sales comparison method: Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

#### *Impairment loss*

The impairment assessment is carried out by comparing the carrying amount to the fair value based on professional valuation. An impairment loss of RM2,195,279 was recognised after comparing its carrying amount to its recoverable amount of RM6,500,000. After an impairment, the recoverable amount of the investment property is equal to the carrying amount.

### 6. Investments in subsidiaries

	Company	
	2015 RM	2014 RM
Unquoted shares, at cost	50,605,271	87,984,033
Less: Impairment loss	<u>(16,516,163)</u>	<u>(7,699,999)</u>
	34,089,108	80,284,034
Due from subsidiaries	<u>72,999,578</u>	<u>--</u>
	<u>107,088,686</u>	<u>80,284,034</u>

During the year, the investments in subsidiaries have been reduced by RM39,378,760 due to capital reduction in a subsidiary. The arrangement is effected by way of contra against the amount due to the same subsidiary.

The amounts due from subsidiaries are unsecured and subject to interest at 3.75% per annum. The amounts were utilised for the capital expenditures of the subsidiaries with long gestation period and therefore are considered part of the investment.

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

Name of entity	Principal activities	Effective ownership interest and voting interest	
		2015 %	2014 %
Masranti Plantation Sdn. Bhd.	Cultivation of oil palm and operation of palm oil mill	100	100
Gemilang Bumimas Sdn. Bhd. @ Premium Dragon Sdn. Bhd.	Cultivation of oil palm	100	100
Nusantara Daya Sdn. Bhd.	Investment holding	100	100



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

### 6. Investments in subsidiaries (continued)

Name of entity	Principal activities	Effective ownership interest and voting interest	
		2015 %	2014 %
Harn Len Realty (Serian) Sdn. Bhd.	Property investment	100	100
Harn Len Realty (Tampoi) Sdn. Bhd.	Property investment	100	100
Tanaim Sdn. Bhd.@	Transportation services	100	100
Harn Len Management Sdn. Bhd. (formerly known as Harn Len Trading Sdn. Bhd.)	Dormant	100	100
Uniglobal Sdn. Bhd.	Dormant	100	100
Han Yin Development Sdn. Bhd.	Dormant	100	100
Zhangxern Corporation Sdn. Bhd.	Dormant	100	100
Sinar Majestic Sdn. Bhd.	Dormant	100	100
Golden Majestic Sdn. Bhd.	Dormant	100	100
Harn Len (Balai Ringin) Sdn. Bhd.	Dormant	100	100

#### *Subsidiary of Masranti Plantation Sdn. Bhd.*

Masranti Sebangkoi Sdn. Bhd.@	Cultivation of oil palm	100	100
Masranti Agro Sdn. Bhd.	Agriculture land and plantation development services	100	100

#### *Subsidiary of Premium Dragon Sdn. Bhd.*

Harn Len Pelita Bengunan Sdn. Bhd.@	Cultivation of oil palm	60	60
-------------------------------------	-------------------------	----	----

@ The auditor's report is subject to an emphasis of matter highlight on the going concern basis of preparing the financial statements.

#### 6.1 Non-controlling interest in a subsidiary

The Group's subsidiary that has material non-controlling interests ("NCI") is as follows:

	2015	2014
<b>Harn Len Pelita Bengunan Sdn. Bhd.</b>		
<b>NCI percentage of ownership interest and voting interest</b>	40%	40%
	<b>RM</b>	<b>RM</b>
Carrying amount of NCI	<u>(13,764,989)</u>	<u>(8,164,495)</u>
Loss allocated to NCI	<u>(5,600,494)</u>	<u>(597,604)</u>



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

### 6. Investments in subsidiaries (continued)

#### 6.1 Non-controlling interest in a subsidiary (continued)

	2015 RM	2014 RM
<b>Summarised financial information before intra-group elimination</b>		
<b>As at 31 December</b>		
Non-current assets	54,194,072	50,970,630
Current assets	2,592,364	2,041,356
Non-current liabilities	(87,114)	(190,848)
Current liabilities	<u>(91,021,793)</u>	<u>(73,142,375)</u>
Net liabilities	<u>(34,322,471)</u>	<u>(20,321,237)</u>
<b>Year ended 31 December</b>		
Revenue	16,571,823	17,787,140
Loss for the year/Total comprehensive expense	<u>(14,001,234)</u>	<u>(1,494,010)</u>
Cash flows from operating activities	14,393,564	4,145,854
Cash flows used in investing activities	(14,089,233)	(3,968,976)
Cash flows used in financing activities	<u>(166,634)</u>	<u>(178,281)</u>
Net increase/(decrease) in cash and cash equivalents	<u>137,697</u>	<u>(1,403)</u>

### 7. Goodwill on consolidation

	RM
<b>Group</b>	
<b>At cost</b>	
At 1 January 2014/31 December 2014	<u>6,490,491</u>
At 1 January 2015/31 December 2015	<u>6,490,491</u>
<b>Accumulated impairment losses</b>	
At 1 January 2014/31 December 2014	<u>695,692</u>
At 1 January 2015/31 December 2015	<u>695,692</u>
<b>Carrying amount</b>	
At 1 January 2014/31 December 2014	<u>5,794,799</u>
At 1 January 2015/31 December 2015	<u>5,794,799</u>

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

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





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

### 7. Goodwill on consolidation (continued)

#### *Impairment testing for cash-generating units containing goodwill (continued)*

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

	Group	
	2015 RM	2014 RM
Masranti Plantation Sdn. Bhd.	5,794,799	5,794,799

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

- Cash flows were projected based on a 15 years forecast and projections;
- Commodity price was projected based on current market price and remains constant throughout the projected period;
- A post-tax discount rate of 10% (2014: 7.5%) was applied in determining the recoverable amount of the unit;
- Average palm yields ranging from 17 to 19 metric tonnes per hectares;
- Administration expenses were projected at annual increase from 5% to 9% per annum; and
- Expenditure of the units was projected based on historical trend.

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

Based on the management assessment, the estimated cash flow generated by Masranti Plantation Sdn. Bhd. is higher than the carrying amount of the goodwill. As such, no impairment is required.

### 8. Deferred tax assets/(liabilities)

Group	Assets		Liabilities		Net	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Property, plant and equipment						
- capital allowances	--	--	(16,483,435)	(15,387,510)	(16,483,435)	(15,387,510)
- fair value adjustment	--	--	(4,385,000)	(4,488,000)	(4,385,000)	(4,488,000)
Provision	251,000	246,000	--	--	251,000	246,000
Unabsorbed capital allowances	2,532,254	775,000	--	--	2,532,254	775,000
Unutilised tax losses	7,256,000	7,051,000	--	--	7,256,000	7,051,000
Tax assets/(liabilities)	10,039,254	8,072,000	(20,868,435)	(19,875,510)	(10,829,181)	(11,803,510)
Set-off of tax	(8,218,354)	(8,072,000)	8,218,354	8,072,000	--	--
Net tax assets/(liabilities)	1,820,900	--	(12,650,081)	(11,803,510)	(10,829,181)	(11,803,510)



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

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

	Assets		Liabilities		Net	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
<b>Company</b>						
Property, plant and equipment						
- capital allowances	--	--	(4,621,000)	(4,765,000)	(4,621,000)	(4,765,000)
Provision	200,000	204,000	--	--	200,000	204,000
Unabsorbed capital allowances	1,218,900	775,000	--	--	1,218,900	775,000
Unutilised tax losses	<u>5,023,000</u>	<u>3,674,000</u>	<u>--</u>	<u>--</u>	<u>5,023,000</u>	<u>3,674,000</u>
Tax assets/(liabilities)	6,441,900	4,653,000	(4,621,000)	(4,765,000)	1,820,900	(112,000)
Set-off of tax	<u>(4,621,000)</u>	<u>(4,653,000)</u>	<u>4,621,000</u>	<u>4,653,000</u>	<u>--</u>	<u>--</u>
Net tax assets/(liabilities)	<u>1,820,900</u>	<u>--</u>	<u>--</u>	<u>(112,000)</u>	<u>1,820,900</u>	<u>(112,000)</u>

Movement in temporary difference during the year are as follows:

	At 1 January 2015 RM	Recognised in profit or loss (Note 21) RM	At 31 December 2015 RM
<b>Group</b>			
Property, plant and equipment			
- capital allowances	(15,387,510)	(1,095,925)	(16,483,435)
- fair value adjustment	(4,488,000)	103,000	(4,385,000)
Provision	246,000	5,000	251,000
Unabsorbed capital allowances	775,000	1,757,254	2,532,254
Unutilised tax losses	<u>7,051,000</u>	<u>205,000</u>	<u>7,256,000</u>
	<u>(11,803,510)</u>	<u>974,329</u>	<u>(10,829,181)</u>
<b>Company</b>			
Property, plant and equipment			
- capital allowances	(4,765,000)	144,000	(4,621,000)
Provision	204,000	(4,000)	200,000
Unabsorbed capital allowances	775,000	443,900	1,218,900
Unutilised tax losses	<u>3,674,000</u>	<u>1,349,000</u>	<u>5,023,000</u>
	<u>(112,000)</u>	<u>1,932,900</u>	<u>1,820,900</u>


**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
**8. Deferred tax assets/(liabilities) (continued)**

	At 1 January 2014 RM	Recognised in profit or loss (Note 21) RM	At 31 December 2014 RM
<b>Group</b>			
Property, plant and equipment			
- capital allowances	(14,027,095)	(1,360,415)	(15,387,510)
- fair value adjustment	(4,583,000)	95,000	(4,488,000)
Provision	174,000	72,000	246,000
Unabsorbed capital allowances	2,766,000	(1,991,000)	775,000
Unutilised tax losses	8,136,000	(1,085,000)	7,051,000
	<u>(7,534,095)</u>	<u>(4,269,415)</u>	<u>(11,803,510)</u>
<b>Company</b>			
Property, plant and equipment			
- capital allowances	(4,671,558)	(93,442)	(4,765,000)
Provision	174,000	30,000	204,000
Unabsorbed capital allowances	449,000	326,000	775,000
Unutilised tax losses	3,410,000	264,000	3,674,000
	<u>(638,558)</u>	<u>526,558</u>	<u>(112,000)</u>

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Property, plant and equipment				
- capital allowances	(62,871)	(52,073)	(3,352)	(3,271)
Unutilised tax losses	46,119	37,532	--	--
Unabsorbed capital allowances	63,542	47,481	11,264	10,503
	<u>46,790</u>	<u>32,940</u>	<u>7,912</u>	<u>7,232</u>

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits there from.



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

### 9. Inventories

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Agricultural produce	1,692,847	1,614,137	222,529	616,229
Consumables and spares	3,159,250	2,393,498	612,836	699,337
Nursery	1,474,641	1,323,444	--	--
	<u>6,326,738</u>	<u>5,331,079</u>	<u>835,365</u>	<u>1,315,566</u>
Recognised in profit or loss:				
- Inventories recognised as cost of goods sold	<u>175,716,755</u>	<u>207,299,987</u>	<u>70,671,366</u>	<u>92,332,819</u>

### 10. Trade and other receivables

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade receivables	6,234,608	3,697,231	1,897,393	3,081,057
Other receivables, deposits and prepayments	5,325,951	4,842,112	2,898,099	2,942,898
Due from subsidiaries				
- non-trade	--	--	33,352,380	154,210,981
Due from an affiliated company				
- trade	<u>1,855,318</u>	<u>1,344,145</u>	<u>--</u>	<u>--</u>
	<u>13,415,877</u>	<u>9,883,488</u>	<u>38,147,872</u>	<u>160,234,936</u>

The non-trade amounts due from subsidiaries are in respect of advances made. Included is RM32,618,551 (2014: RM149,033,332) which is subject to interest at 3.75% (2014: 3.50% - 3.75%) per annum. The amounts due from subsidiaries are unsecured and repayable on demand.

Included in other receivables, deposits and prepayment is deposit paid for the acquisition of properties as follows:

	Group/Company	
	2015 RM	2014 RM
Industrial properties	1,609,243	--
Sarawak land from Natives (see Note 29)	<u>913,710</u>	<u>--</u>
	<u>2,522,953</u>	<u>--</u>

Included in other receivables, deposits and prepayment in prior year was RM1,363,828 in respect of deposit for a proposed investment in Indonesia. The deposit was paid in 2012 and written off during the financial year.



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

### 11. Cash and cash equivalents

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances	10,101,384	2,567,506	1,262,764	1,482,401
Deposits placed with licensed banks	328,894	334,607	328,894	334,607
	<u>10,430,278</u>	<u>2,902,113</u>	<u>1,591,658</u>	<u>1,817,008</u>

The deposits of the Group and of the Company of RM328,894 (2014: RM334,607) are pledged to licensed banks as security for bank guarantee facilities granted to the Group and the Company.

### 12. Assets classified as held for sale

At 31 December 2015, the assets classified as held for sale consists of the following:

	Note	Cost RM	Accumulated depreciation RM	Accumulated Impairment loss RM	Total RM
Property, plant and equipment	3	12,401,519	(1,424,840)	(1,562,990)	9,413,689
Biological assets	4	4,265,459	--	(79,148)	4,186,311
		<u>16,666,978</u>	<u>(1,424,840)</u>	<u>(1,642,138)</u>	<u>13,600,000</u>

On 27 August 2015, the Group entered into an agreement to dispose the leasehold land and biological assets for a total consideration of RM13,600,000. The disposal is expected to be completed within the next twelve months.

### 13. Capital and reserves

#### Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2015 RM	2014 RM	2015	2014
Ordinary shares of RM1.00 each:				
Authorised	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>	<u>185,477,159</u>

#### Reserves

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Distributable</b>				
Retained earnings	127,988,051	142,049,601	84,440,768	141,842,618
<b>Non-distributable</b>				
Share premium	6,634,854	6,634,854	6,634,854	6,634,854
Capital reserve	6,268,000	6,268,000	6,268,000	6,268,000
Treasury shares	(944)	--	(944)	--
	<u>140,889,961</u>	<u>154,952,455</u>	<u>97,342,678</u>	<u>154,745,472</u>



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

### 13. Capital and reserves (continued)

#### Treasury shares

At the Annual General Meeting held on 26 June 2015, the shareholders of the Company approved the Company's plan to repurchase its own shares.

During the financial year, the Company repurchased from the open market a total of 1,000 of its issued ordinary shares. The average repurchase price was RM0.94 per ordinary share including transaction costs. The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares.

At 31 December 2015, a total of 1,000 repurchased shares are being held as treasury shares.

#### Capital reserve

The capital reserve arose from redemption of Redeemable Convertible Secured Loan Stocks in 2005.

### 14. Non-controlling interests

#### Group

The non-controlling interests relates to a subsidiary, Harn Len Pelita Bengunan Sdn. Bhd. as disclosed in Note 6.1. It is the intention of the said subsidiary to progressively increase its paid-up share capital to RM24,000,000 and the non-controlling shareholder of the said subsidiary, being the joint venture partner of the development, has undertaken to subscribe for 40% of the increased paid-up share capital i.e. RM9,600,000 in accordance with the Joint Venture Agreement dated 3 September 2004 (see Note 4).

### 15. Retirement benefits

	Group/Company	
	2015 RM	2014 RM
At 1 January	754,000	659,800
Provision made during the year	6,000	94,200
At 31 December	<u>760,000</u>	<u>754,000</u>

### 16. Loans and borrowings

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Non-current</b>				
<b>Secured</b>				
Finance lease liabilities	23,097,276	22,907,142	1,059,061	1,624,328
Term loans	14,814,044	6,090,496	5,844,684	6,090,496
	37,911,320	28,997,638	6,903,745	7,714,824
<b>Unsecured</b>				
Term loans	3,620,467	--	--	--
	<u>41,531,787</u>	<u>28,997,638</u>	<u>6,903,745</u>	<u>7,714,824</u>




**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
**16. Loans and borrowings (continued)**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Current</b>				
<b>Secured</b>				
Finance lease liabilities	3,510,503	2,973,359	607,016	551,844
Term loans	245,136	235,918	245,136	235,918
Bank overdrafts	25,524,820	--	--	--
	29,280,459	3,209,277	852,152	787,762
<b>Unsecured</b>				
Term loans	19,937	--	--	--
Bank overdrafts	14,919,373	12,252,227	14,919,373	6,326,896
	14,939,310	12,252,227	14,919,373	6,326,896
	44,219,769	15,461,504	15,771,525	7,114,658
	85,751,556	44,459,142	22,675,270	14,829,482

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

	2015			2014		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
<b>Group</b>						
Less than one year	4,667,048	1,156,545	3,510,503	3,566,868	593,509	2,973,359
Between one and five years	10,996,657	4,547,021	6,449,636	11,514,900	4,299,751	7,215,149
More than five years	54,877,166	38,229,526	16,647,640	55,904,399	40,212,406	15,691,993
	70,540,871	43,933,092	26,607,779	70,986,167	45,105,666	25,880,501
<b>Company</b>						
Less than one year	675,107	68,091	607,016	646,812	94,968	551,844
Between one and five years	1,115,630	56,569	1,059,061	1,742,164	117,836	1,624,328
	1,790,737	124,660	1,666,077	2,388,976	212,804	2,176,172

**Security**

The secured borrowings are secured against assets as disclosed in Note 3 and 5.



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

### 17. Trade and other payables

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade payables	23,767,854	19,525,105	10,838,200	8,772,678
Other payables and accrued expenses	26,137,234	25,504,601	5,968,323	6,811,486
Due to subsidiaries				
- non-trade	--	--	698,938	43,532,737
Due to affiliated companies				
- trade	1,008,351	212,712	784,618	188,986
- non-trade	52,118	71,605	--	--
	<u>1,060,469</u>	<u>284,317</u>	<u>784,618</u>	<u>188,986</u>
	<u>50,965,557</u>	<u>45,314,023</u>	<u>18,290,079</u>	<u>59,305,887</u>

The non-trade amounts due to subsidiaries are in respect of advances or payment on behalf, which are unsecured and repayable on demand.

Interest is charged at 3.75% (2014: 3.50% - 3.75%) per annum on non-trade amounts due to subsidiaries of RM698,938 (2014: RM42,924,941).

The non-trade amounts due to affiliated companies are in respect of advances or payment on behalf which are unsecured and repayable on demand.

Included in other payables and accrued expenses of the Group is an amount of RM8,291,666 (2014: RM9,184,350) owing to contractors for plantation development/maintenance work performed.

### 18. Revenue/Gross profit

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Revenue</b>				
- Plantation	235,698,701	264,211,165	81,843,639	100,898,987
- Property, hotel and others	7,484,667	7,370,461	7,484,667	7,370,461
- Dividend income from a subsidiary	--	--	3,937,876	39,378,760
	<u>243,183,368</u>	<u>271,581,626</u>	<u>93,266,182</u>	<u>147,648,208</u>
Cost of sales of agricultural produces	175,716,755	207,299,987	70,671,366	92,332,819
Cost of services	24,065,747	15,023,038	9,336,146	8,833,474
	<u>199,782,502</u>	<u>222,323,025</u>	<u>80,007,512</u>	<u>101,166,293</u>
<b>Gross profit</b>	<u>43,400,866</u>	<u>49,258,601</u>	<u>13,258,670</u>	<u>46,481,915</u>


**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
**19. Finance costs**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest expenses of finance liabilities that are not at fair value through profit and loss	4,038,980	2,688,341	2,433,963	3,713,243
Less: Finance cost capitalised	(913,286)	(635,968)	--	(351,884)
	<u>3,125,694</u>	<u>2,052,373</u>	<u>2,433,963</u>	<u>3,361,359</u>

**20. (Loss)/Profit before tax**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>(Loss)/Profit before tax is arrived at after charging/ (crediting)</b>				
Auditors remuneration				
- Audit fees				
- Company's auditors	210,000	195,000	85,000	82,000
- Non-audit fees				
- Local affiliates of				
KPMG Malaysia	76,800	52,000	23,000	18,000
- KPMG Malaysia	16,500	18,500	16,500	18,500
Depreciation and amortisation	20,191,943	18,191,311	6,288,863	5,632,910
Hiring of machinery	1,666,267	867,215	79,939	--
Personnel expenses (including key management personnel)				
- Contributions to state plans	2,229,368	1,981,092	1,583,391	1,443,340
- Wages, salaries and others	23,348,449	21,685,490	16,967,020	16,179,569
Palm oil seedlings written off	141,040	--	141,040	--
Retirement benefits	6,000	94,200	6,000	94,200
(Reversal)/Impairment loss on:				
- investment in subsidiaries	--	--	8,816,166	7,699,999
- trade receivables	(12,627)	28,583	(12,627)	28,583
- investment properties	2,195,279	--	--	--
- property, plant and equipment	1,562,990	--	--	--
- biological assets	5,879,148	--	--	--
- due from subsidiaries	--	--	43,452,000	--
Gain on disposal of property, plant and equipment, investment properties and biological assets	(229,375)	(3,326,224)	(34,849)	(3,306,225)
Waiver of overdue interest	(36,398)	(424,718)	--	--
Write off of deposit	1,363,828	--	1,363,828	--
	<u>1,363,828</u>	<u>--</u>	<u>1,363,828</u>	<u>--</u>



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

### 20. (Loss)/Profit before tax (continued)

Staff costs are allocated as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Wages, salaries and others (including Directors' remuneration)				
- statement of comprehensive income	23,348,449	21,685,490	16,967,020	16,179,569
- plantation development expenditure	<u>226,020</u>	<u>211,898</u>	<u>46,311</u>	<u>46,331</u>
	<u>23,574,469</u>	<u>21,897,388</u>	<u>17,013,331</u>	<u>16,225,900</u>

#### Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors				
- Fees	210,800	198,300	200,000	187,500
- Remuneration	<u>6,853,156</u>	<u>6,225,326</u>	<u>5,499,256</u>	<u>5,021,906</u>
Total short-term employee benefits	7,063,956	6,423,626	5,699,256	5,209,406
Other key management personnel:				
- Short term employee benefits	<u>2,921,422</u>	<u>2,802,072</u>	<u>1,947,262</u>	<u>1,789,402</u>
	<u>9,985,378</u>	<u>9,225,698</u>	<u>7,646,518</u>	<u>6,998,808</u>

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

The estimated monetary value of Directors' benefit-in-kind for the Group and for the Company is RM218,758 (2014: RM368,523) and RM218,758 (2014: RM338,523) respectively.



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

### 21. Tax expense/(income)

#### Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Current tax expense</b>				
- Current year	1,938,196	820,195	--	--
- Prior year	19,179	537,395	--	--
	1,957,375	1,357,590	--	--
<b>Deferred tax (income)/expense</b>				
- Origination and reversal of temporary differences	(648,329)	3,997,973	(1,915,900)	(726,000)
- Prior year	(326,000)	271,442	(17,000)	199,442
	(974,329)	4,269,415	(1,932,900)	(526,558)
	983,046	5,627,005	(1,932,900)	(526,558)
	<b>RM'000</b>	<b>RM000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Reconciliation of tax expense/(income)</b>				
(Loss)/Profit before tax	(18,679)	7,465	(59,335)	23,694
Income tax calculated using Malaysian tax rate of 25%	(4,670)	1,866	(14,834)	5,924
Non-deductible expenses	2,497	3,310	14,075	3,785
Non-taxable income	--	(823)	(985)	(10,668)
Unrecognised deferred tax assets	3,463	465	(172)	233
	1,290	4,818	(1,916)	(726)
(Over)/Under provided in prior year	(307)	809	(17)	199
Tax expense/(income)	983	5,627	(1,933)	(527)

### 22. (Loss)/Earnings per ordinary share

#### (a) Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2015 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2015 RM	2014 RM
(Loss)/Profit for the year attributable to owners	(14,061,550)	2,435,476



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

### 22. (Loss)/Earnings per ordinary share (continued)

#### (a) Basic (loss)/earnings per ordinary share (continued)

Weighted average number of ordinary shares are determined as follows:

	2015 RM	Group 2014 RM
Weighted average number of ordinary shares at 31 December	<u>185,476,742</u>	<u>185,477,159</u>
Basis (loss)/earnings per ordinary share (sen)	<u>(7.6)</u>	<u>1.3</u>

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

There are no dilutive potential ordinary shares.

### 23. Dividends

Dividends recognised by the Company were:

	Sen per share	Total amount RM	Date of payment
<b>2014</b>			
2014 - First interim, single tier	5	9,273,858	15 September 2014
2014 - Second interim, single tier	3	<u>5,564,315</u>	5 February 2015
		<u>14,838,173</u>	

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current year's acquisition of plant and equipment	10,832,299	41,145,983	3,419,060	6,582,056
Less: Acquisition by lease financing	(3,430,712)	(24,251,069)	(158,600)	(1,827,000)
Finance cost capitalised	<u>--</u>	<u>(272,540)</u>	<u>--</u>	<u>(272,540)</u>
	<u>7,401,587</u>	<u>16,622,374</u>	<u>3,260,460</u>	<u>4,482,516</u>





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

### 25. Acquisition of biological assets

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current year's acquisition of biological assets	22,926,804	15,994,503	848,121	564,466
Less: Non fund items capitalised:				
- Depreciation and amortisation	(319,191)	(384,662)	--	--
- Finance costs	(913,286)	(363,428)	--	(79,344)
	<u>21,694,327</u>	<u>15,246,413</u>	<u>848,121</u>	<u>485,122</u>

### 26. Acquisition of investment properties

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current year's acquisition of investment properties	5,262,747	2,937,899	65,860	597,817
Less: Non-cash item				
- Other payable and accrued expenses	(2,448,443)	--	--	--
	<u>2,814,304</u>	<u>2,937,899</u>	<u>65,860</u>	<u>597,817</u>

### 27. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Executive Chairman) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Segment 1 : Plantation - The cultivation of oils palm and palm oil milling
- Segment 2 : Property and hotel - Property investment and hotel business

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

#### Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return of assets of each segment.

#### Segment liabilities

Segment liabilities information is also included in the internal management reports provided to the CODM.

#### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.



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

### 27. Operating segments (continued)

Group	Plantation		Property and hotel		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Segment profit/(loss)</b>	28,401	39,342	(3,229)	(1,505)	25,172	37,837
<i>Included in the measure of segment profit are:</i>						
Revenue from external customers (Impairment loss)/Reversal of impairment loss on:	235,699	264,211	7,484	7,370	243,183	271,581
- Trade receivables	--	--	13	(29)	13	(29)
- Investment properties	--	--	(2,195)	--	(2,195)	--
- Property, plant and equipment	(1,563)	--	--	--	(1,563)	--
- Biological assets	(5,879)	--	--	--	(5,879)	--
<i>Not included in the measure of segment profit but provided to CODM:</i>						
Depreciation	(17,294)	(15,862)	(2,377)	(1,909)	(19,671)	(17,771)
Finance costs	(1,761)	(921)	(288)	--	(2,049)	(921)
Tax expense	(723)	(5,624)	--	--	(723)	(5,624)
<b>Segment assets</b>	362,632	343,978	92,999	81,109	455,631	425,087
<i>Included in the measure of segment assets are:</i>						
Additions to non-current assets other than financial instruments and deferred tax assets	32,800	53,892	5,287	3,345	38,087	57,237
<b>Segment liabilities</b>	(118,398)	(80,343)	(4,603)	(2,272)	(123,001)	(82,615)


**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
**27. Operating segments (continued)**

Reconciliations of reportable segment revenues, profit and loss, assets and other material items.

	2015 RM'000	2014 RM'000		2015 RM'000	2014 RM'000		2015 RM'000	2014 RM'000		2015 RM'000	2014 RM'000		2015 RM'000	2014 RM'000
			External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000					
<b>Profit or loss</b>														
Total profit or loss for reportable segments			243,183	(19,671)	(2,049)	--	455,631	38,087	(123,001)					
Depreciation and amortisation			--	(521)	(1,076)	9	7,707	137	(27,735)					
Finance costs														
Finance income														
Unallocated expenses														
Consolidated (loss)/profit before tax			243,183	(20,192)	(3,125)	9	463,338	38,224	(150,736)					
<b>2015</b>														
Total reportable segments			271,581	(17,771)	(921)	--	425,087	57,237	(82,615)					
Other non-reportable segments			--	(420)	(1,131)	9	15,341	1,821	(25,548)					
Consolidated total			271,581	(18,191)	(2,052)	9	440,428	59,058	(108,163)					
<b>2014</b>														
Total reportable segments			271,581	(17,771)	(921)	--	425,087	57,237	(82,615)					
Other non-reportable segments			--	(420)	(1,131)	9	15,341	1,821	(25,548)					
Consolidated total			271,581	(18,191)	(2,052)	9	440,428	59,058	(108,163)					

**Major customers**

The major customer with revenue equal or more than 10 percent of Group revenue is as follows:

	2015 RM'000	2014 RM'000	Segment
Customer - A	148,723	160,967	Plantation
Customer - B	62,009	76,352	Plantation



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

### 28. Capital and other commitments

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Capital expenditure commitments</b>				
<b>Property, plant and equipment</b>				
Contracted but not provided for	22,308,197	12,800,150	19,475,040	2,962,150
Authorised but not contracted for	7,499,346	1,252,272	2,690,673	498,272
<b>Biological assets</b>				
Authorised but not contracted for	14,808,379	2,340,392	851,879	2,340,392
	<u>44,615,922</u>	<u>16,392,814</u>	<u>23,017,592</u>	<u>5,800,814</u>

### 29. Contingent liabilities/losses

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Unsecured</b>				
i) Corporate guarantees given to:				
- financial institution in respect of outstanding banking facilities of subsidiaries	--	--	40,916	6,867
ii) Subsidiary involving in joint venture plantation				
- leasehold land, road and bridges	6,564	7,416	--	--
- biological assets	46,211	42,310	--	--
	<u>52,775</u>	<u>49,726</u>	<u>40,916</u>	<u>6,867</u>

As disclosed in Note 3 and 4, a subsidiary, Harn Len Pelita Bengunan Sdn. Bhd. has entered into a joint venture agreement for the development of an oil palm plantation estate in Sarawak. Pursuant to the Joint Venture Agreement, the joint venture party undertake to procure the alienation of the land for a lease period of 60 years from the Sarawak State Government to the said subsidiary. As at the year end, the title to the leasehold land of the subsidiary has yet to be issued by the relevant authority to the said subsidiary. The amount disclosed above represent the potential impairment/loss if the lease is not obtained and that the Company ceases to have control over the land.

#### Land compensation

As disclosed in Note 3 and 5, the Group has incurred compensation to Native Customary Rights' owners and other incidental cost amounted to RM5,325,059 (2014: RM2,688,925). Although the Group has legal title to the land, the natives still claim that they have ownership of the land, and thus compensation is made to resolve the dispute with the natives. Similar claims may still arise for the Group's operations in Sarawak in the future.

#### Purchase of land

As disclosed in Note 10, the Group has paid a deposit of RM913,710 for the acquisition of land from natives in Sarawak for a total consideration of RM3,850,308. As the acquisition of land involves natives with no title deed to the land, there is a risk associated with the said land and that the deposit and the entire land costs upon completion of the transaction may be impaired if the Group could not eventually gain full control over the land.



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

### 30. Financial instruments

#### 30.1 Categories of financial statements

All financial assets and liabilities are categorised as loans and receivables and other liabilities in accordance with the Group's accounting policies as disclosed in Note 2 (b).

#### 30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net gains/(losses) on:				
Loans and receivables	(1,342)	(19)	(39,929)	5,194
Financial liabilities measured at amortised cost	<u>(4,003)</u>	<u>(2,264)</u>	<u>(2,434)</u>	<u>(3,713)</u>
	<u><u>(5,345)</u></u>	<u><u>(2,283)</u></u>	<u><u>(42,363)</u></u>	<u><u>1,481</u></u>

#### 30.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 30.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

##### Receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

As at the date of the statement of financial position, the Group and the Company have significant concentrations of credit risk arising from amount due from two customers (2014: two customers) and one customer (2014: one customer), which represent 93% (2014: 79%) and 77% (2014: 70%) of the total receivables of the Group and the Company respectively.



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

### 30. Financial instruments (continued)

#### 30.4 Credit risk (continued)

##### Receivables (continued)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

##### *Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of receivables as at the end of the reporting period was:

<b>Group</b>	<b>Gross RM'000</b>	<b>Individual impairment RM'000</b>	<b>Net RM'000</b>
<b>2015</b>			
Not past due	6,158	(8)	6,150
Past due 0 - 30 days	68	(7)	61
Past due 31 - 60 days	30	(6)	24
Past due more than 60 days	22	(22)	--
	<u>6,278</u>	<u>(43)</u>	<u>6,235</u>
<b>Company</b>			
<b>2015</b>			
Not past due	1,821	(8)	1,813
Past due 0 - 30 days	67	(7)	60
Past due 31 - 60 days	30	(6)	24
Past due more than 60 days	22	(22)	--
	<u>1,940</u>	<u>(43)</u>	<u>1,897</u>
<b>Group</b>			
<b>2014</b>			
Not past due	3,544	(9)	3,535
Past due 0 - 30 days	122	(11)	111
Past due 31 - 60 days	19	(10)	9
Past due more than 60 days	73	(31)	42
	<u>3,758</u>	<u>(61)</u>	<u>3,697</u>
<b>Company</b>			
<b>2014</b>			
Not past due	2,928	(9)	2,919
Past due 0 - 30 days	122	(11)	111
Past due 31 - 60 days	19	(10)	9
Past due more than 60 days	73	(31)	42
	<u>3,142</u>	<u>(61)</u>	<u>3,081</u>





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

### 30. Financial instruments (continued)

#### 30.4 Credit risk (continued)

##### Receivables (continued)

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group/Company	
	2015 RM'000	2014 RM'000
At 1 January	61	37
Impairment loss (reversed)/recognised	(13)	29
Impairment written off	(5)	(5)
At 31 December	<u>43</u>	<u>61</u>

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

##### Financial guarantees

###### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

###### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM40,916,196 (2014: RM6,867,181) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

##### Inter-company balances

###### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

###### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

###### *Impairment losses*

An impairment loss in respect of advances to subsidiaries of RM43,452,000 of the Company has recognised as the management considers the recoverability to be doubtful.



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

### 30. Financial instruments (continued)

#### 30.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

#### *Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
<b>Group 2015</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	40,444	7.22	40,444	40,444	--	--	--
Finance lease liabilities	26,608	6.04	70,541	4,668	4,614	6,383	54,876
Term loans	18,700	5.42	24,025	1,275	2,263	13,929	6,558
Trade and other payables	50,966	--	50,966	50,966	--	--	--
	<u>136,718</u>		<u>185,976</u>	<u>97,353</u>	<u>6,877</u>	<u>20,312</u>	<u>61,434</u>
<b>Company 2015</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	14,919	7.85	14,919	14,919	--	--	--
Finance lease liabilities	1,666	4.47	1,791	675	550	566	--
Term loans	6,090	4.65	9,182	525	525	1,574	6,558
Trade and other payables	17,591	--	17,591	17,591	--	--	--
Due to subsidiaries	699	3.75	699	699	--	--	--
Financial guarantee*	--	--	40,916	40,916	--	--	--
	<u>40,965</u>		<u>85,098</u>	<u>75,325</u>	<u>1,075</u>	<u>2,140</u>	<u>6,558</u>
<b>Group 2014</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	12,252	7.37	12,252	12,252	--	--	--
Finance lease liabilities	25,881	6.02	70,986	3,567	3,770	7,745	55,904
Term loans	6,326	4.65	7,388	525	525	1,574	4,764
Trade and other payables	45,314	--	45,314	45,314	--	--	--
	<u>89,773</u>		<u>135,940</u>	<u>61,658</u>	<u>4,295</u>	<u>9,319</u>	<u>60,668</u>



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

### 30. Financial instruments (continued)

#### 30.5 Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
<b>Company</b>							
<b>2014</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	6,327	7.85	6,327	6,327	--	--	--
Finance lease liabilities	2,176	4.47	2,389	647	647	1,095	--
Term loans	6,326	4.65	7,388	525	525	1,574	4,764
Trade and other payables	15,773	--	15,773	15,773	--	--	--
Due to subsidiaries	43,533	3.50 - 3.75	43,533	43,533	--	--	--
Financial guarantee*	--	--	6,867	6,867	--	--	--
	<u>74,135</u>		<u>82,277</u>	<u>73,672</u>	<u>1,172</u>	<u>2,669</u>	<u>4,764</u>

\* The amount represents the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

#### 30.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the Group's financial position or cash flows.

##### Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

##### *Exposure to interest rate risk*

The interest rate profile of the Group's and Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Fixed rate instruments</b>				
Financial assets	329	335	106,681	154,546
Financial liabilities	<u>(26,608)</u>	<u>(25,881)</u>	<u>(2,365)</u>	<u>(45,709)</u>
	<u>(26,279)</u>	<u>(25,546)</u>	<u>104,316</u>	<u>108,837</u>
<b>Floating rate instruments</b>				
Financial liabilities	<u>(59,144)</u>	<u>(18,578)</u>	<u>(21,009)</u>	<u>(12,653)</u>



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

### 30. Financial instruments (continued)

#### 30.6 Market risk (continued)

##### Interest rate risk (continued)

##### *Interest rate risk sensitivity analysis*

##### *(a) Fair value sensitivity analysis for fixed rate instruments*

The Group and Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

##### *(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis point ("bp") in interest rate at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables remain constant.

	<b>Profit or loss</b>	
	<b>100 bp increase RM'000</b>	<b>100 bp decrease RM'000</b>
<b>Group 2015</b>		
Floating rate instruments	<u>(444)</u>	<u>444</u>
<b>Company 2015</b>		
Floating rate instruments	<u>(158)</u>	<u>158</u>
<b>Group 2014</b>		
Floating rate instruments	<u>(139)</u>	<u>139</u>
<b>Company 2014</b>		
Floating rate instruments	<u>(95)</u>	<u>95</u>

#### 30.7 Fair value information

The carrying amount of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of floating rates term loans approximate its fair value as its effective interest rate changes accordingly to movements in the market interest rate.



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

### 30. Financial instruments (continued)

#### 30.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value Level 3 RM'000	Carrying amount RM'000
<b>Group</b>		
<b>2015</b>		
<b>Financial liabilities</b>		
Finance lease liabilities	(24,480)	(26,608)
<b>2014</b>		
<b>Financial liabilities</b>		
Finance lease liabilities	(24,802)	(25,881)
<b>Company</b>		
<b>2015</b>		
<b>Financial liabilities</b>		
Finance lease liabilities	(1,662)	(1,666)
<b>2014</b>		
<b>Financial liabilities</b>		
Finance lease liabilities	(2,183)	(2,176)

#### Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

#### *Financial instruments not carried at fair value*

Type	Description of valuation technique and inputs used
Finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at reporting date.

### 31. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. As a plantation and property owner, the Group has significant long term assets which it uses as security for its banking facilities. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.



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

### 31. Capital management (continued)

The debt-to-equity ratios at 31 December 2015 and at 31 December 2014 were as follows:

	Group	
	2015 RM'000	2014 RM'000
Total borrowings (Note 16)	85,752	44,459
Less: Cash and cash equivalents (Note 11)	<u>(10,430)</u>	<u>(2,903)</u>
	<u>75,322</u>	<u>41,556</u>
Total equity	<u>312,602</u>	<u>332,265</u>
Debt-to-equity-ratios	<u>0.24</u>	<u>0.13</u>

There were no changes in the Group's approach to capital management during the financial year.

The Group is also required to maintain debt-to-equity ratios ranging from 1.00 to 2.00 to comply with the bank covenants of its bank borrowings, failing which, the bank may call an event of default.

### 32. Related parties

#### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group (see Note 20).

The Group has related party relationship with its subsidiaries, affiliated companies and key management personnel.

#### Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>A. Subsidiaries</b>				
Dividend income	--	--	3,937,876	39,378,760
Interest income	--	--	4,864,804	5,213,224
Interest expense	--	--	1,035,602	2,266,303
Transportation charge	--	--	<u>1,008,340</u>	<u>956,943</u>




**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
**32. Related parties (continued)**
**Significant related party transactions (continued)**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>B. Affiliated companies</b>				
Management fees receivable	60,000	60,000	60,000	60,000
Rental receivable	172,749	116,448	172,749	116,448
Purchase of air tickets	154,646	400,060	55,287	308,436
Purchase of seedlings	--	324,900	--	--
Purchase of fresh fruit bunches	886,687	471,663	--	--
Insurance	515,827	620,940	200,351	284,053
Hiring of heavy machinery	76,100	96,198	76,100	96,198
Rental of motor vehicles	9,000	12,000	9,000	12,000
Services rendered	<u>1,441,081</u>	<u>2,071,144</u>	<u>--</u>	<u>--</u>
<b>C. Remuneration paid to staff who are close family member of certain Directors, Tan Sri Dato' Low Nam Hui (Deceased), Puan Sri Datin 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</b>	<u>1,451,570</u>	<u>1,548,496</u>	<u>1,353,260</u>	<u>1,505,782</u>



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

### 33. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	40,934	113,204	82,620	141,955
- unrealised	<u>(10,829)</u>	<u>(11,804)</u>	<u>1,821</u>	<u>(112)</u>
	30,105	101,400	84,441	141,843
Add: Consolidation adjustments	<u>97,883</u>	<u>40,650</u>	<u>--</u>	<u>--</u>
Total retained earnings	<u><u>127,988</u></u>	<u><u>142,050</u></u>	<u><u>84,441</u></u>	<u><u>141,843</u></u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.



## **STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

In the opinion of the Directors, the financial statements set out on pages 36 to 97 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 33 on page 98 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**Low Quek Kiong**

**Low Kueck Shin**

Johor Bahru

Date: 22 April 2016



## **STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, **Low Yew Yern**, the officer primarily responsible for the financial management of HARN LEN CORPORATION BHD, do solemnly and sincerely declare that the financial statements set out on pages 36 to 98 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Johor Bahru in the State of Johor on 22 April 2016.

**Low Yew Yern**

Before me:  
NORANI BT. HJ KHALID  
Commissioner For Oaths  
J-140



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

### Report on the Financial Statements

We have audited the financial statements of Harn Len Corporation Bhd, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 97.

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

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.



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

- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 33 on page 98 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

### Other Matters

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

#### **KPMG**

Firm Number: AF 0758  
Chartered Accountants

#### **Tan Teck Eng**

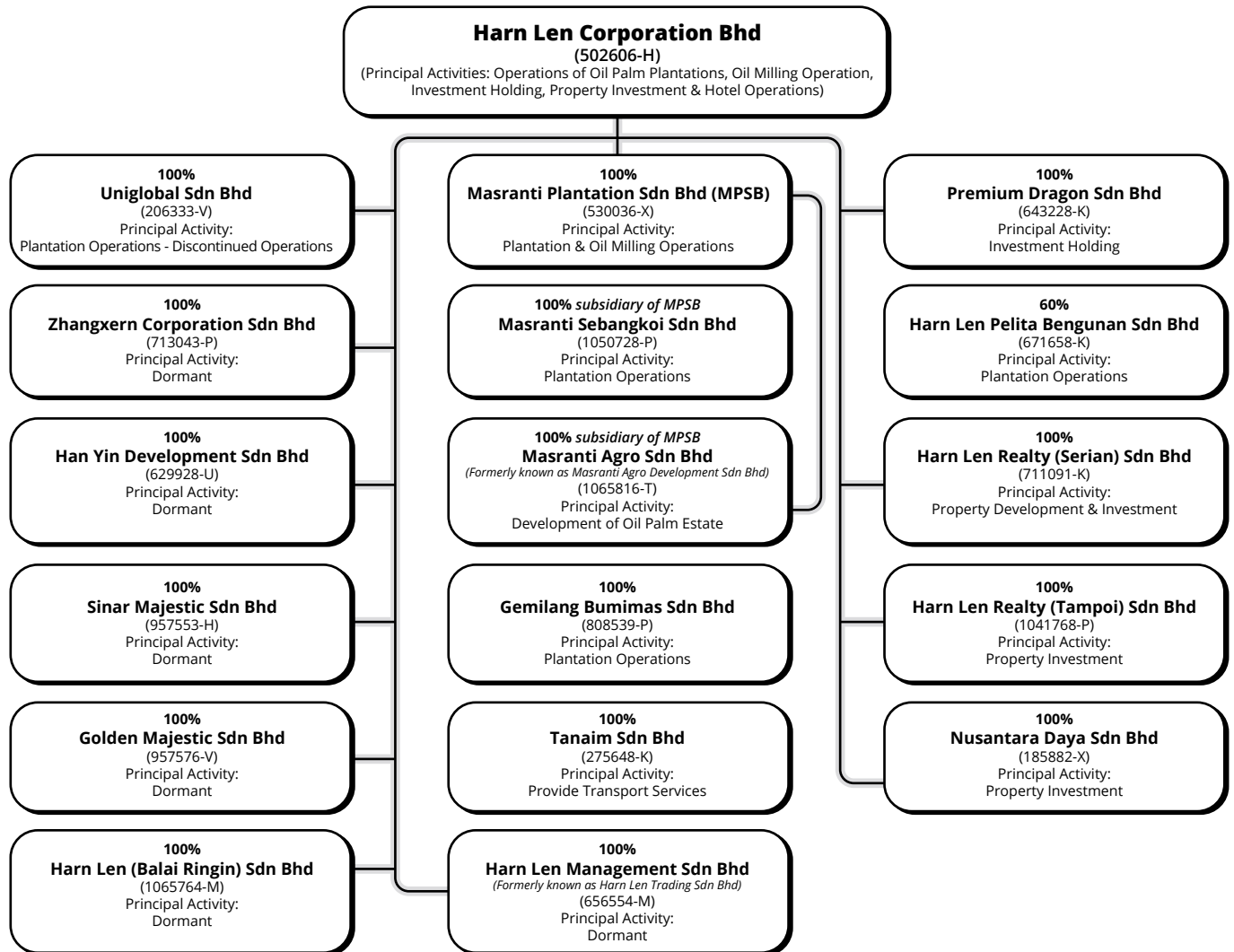
Approval Number: 2986/05/16 (J)  
Chartered Accountant

Johor Bahru

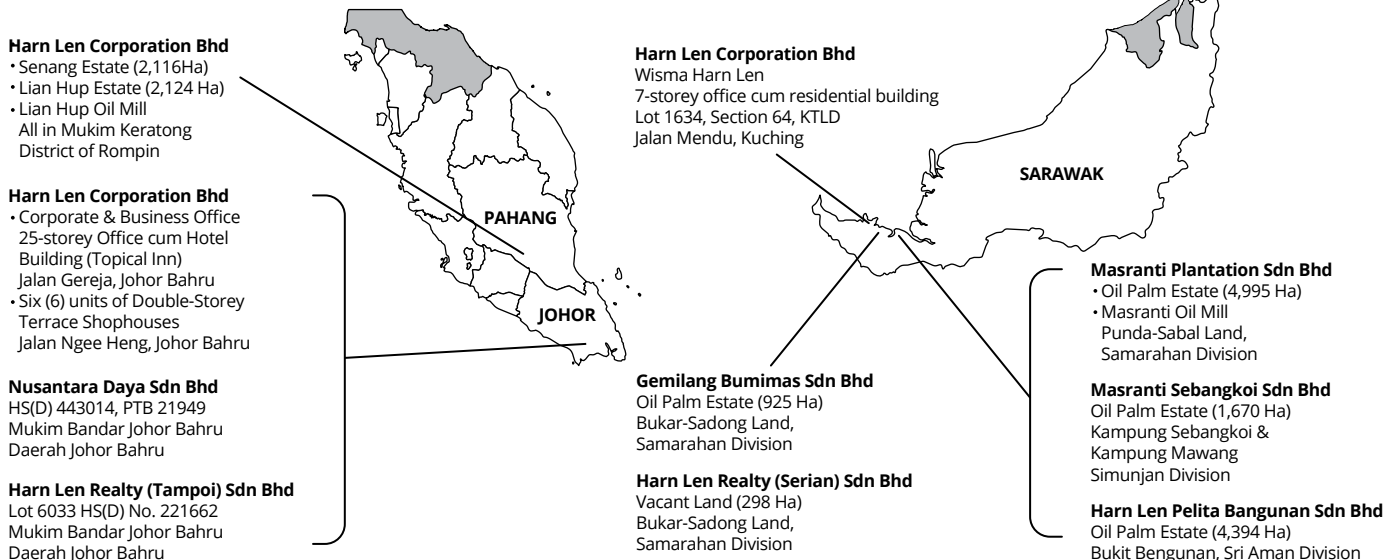
Date: 22 April 2016



## GROUP CORPORATE STRUCTURE As at 31 December 2015



### LOCATION OF OPERATIONS







## LIST OF PROPERTIES OF THE GROUP

Registered owner/ Location	Tenure – Year of Expiry (For leasehold)	Area	Description/ Existing Use	Net Book Value RM '000	Approximate Age of Building (Years)	Date of Acquisition
<b>1. Harn Len Corporation Bhd</b>						
i) Lot 1782, Geran 27393 Township & District of Johor Bahru Johor Darul Takzim	Freehold	40,293 sq. ft.	Office & hotel building	55,520	38	18.07.2003
ii) Lian Hup Estate - Lot PT 166, 259 - Lot PT 313 - Lot PT 345 - Lot PT 510, 521, 522 All in Mukim of Keratong District of Rompin Pahang Darul Makmur	Leasehold 2070 2072 2074 2079	2,124.46 Hectares ("Ha")	Oil Palm Plantation & Palm oil mill	36,312	N/A	18.07.2003
Estate Buildings				849	2-39	
Factory Workshop				461	1-39	
iii) Senang Estate - Lot PT 163, 164, 165, 255 - Lot PT 314 - Lot PT 448, 449, 450, 451 - Lot PT 515 All in Mukim of Keratong District of Rompin Pahang Darul Makmur	Leasehold 2070 2072 2078 2079	2,116.31 Ha	Oil Palm Plantation	37,845	N/A	18.07.2003
Estate Buildings				1,672	1-39	
iv) Six (6) units Double-Storey Terrace Shophouses held under - Lot 2046 Grn 2250 - Lot 2048 Grn 99923 - Lot 2049 Grn 99924 - Lot 2050 Grn 51476 - Lot 2051 Grn 99925 - Lot 2047 Grn 99922 All in Bandar Johor Bahru District of Johor Bahru Johor Darul Takzim	Freehold Freehold Freehold Freehold Freehold Freehold	1,707 sq. ft. 1,617 sq. ft. 1,613 sq. ft. 1,655 sq. ft. 1,706 sq. ft. 1,634 sq. ft.	Staff Quarters Rented Out Rented Out Rented Out Rented Out Store cum Staff Quarters	3,732	80 80 80 80 80 80	15.10.2010 13.04.2011
v) Seven-Storey Office cum Residential Building (Wisma Harn Len) Lot 1634, Section 64, KTL D Jalan Mendu, Kuching, Sarawak	Pending issuance of title	25, 911 sq. ft.	Office cum Staff Accommodation	9,890	1	20.01.2015
<b>2. Masranti Plantation Sdn Bhd</b>						
Lot No 27, Block 2 TRN.: 08-LCLS-024-002-00027 Punda-Sabal Land District of Samarahan Division, Sarawak	Leasehold 2061	13.048 Ha	Oil Palm Plantation	59	N/A	15.01.2004
Lot No 28, Block 2 TRN.: 08-LCLS-024-002-00028 Punda-Sabal Land District of Samarahan Division, Sarawak	Leasehold 2061	4,456.4 Ha	Oil Palm Plantation	19,930	N/A	15.01.2004
TRN.: 08-LCPLS-024-008-00038 Punda-Sabal Land District of Samarahan Division, Sarawak	Leasehold 2071	525 Ha	Oil Palm Plantation	3,948	N/A	08.09.2011
Estate Buildings				5,979	1-12	
Factory Buildings				18,987	1-5	


**LIST OF PROPERTIES OF THE GROUP**

Registered owner/ Location	Tenure – Year of Expiry (For leasehold)	Area	Description/ Existing Use	Net Book Value RM `000	Approximate Age of Building (Years)	Date of Acquisition
<b>3. Masranti Sebangkoi Sdn Bhd</b> Kampung Sebangkoi & Kampung Mawang situated at Simunjan Division of Sarawak  Estate buildings	NCR Native Land 60 Years	1670.52 Ha	Oil palm Plantation	16,742  131	N/A  1 year	27.9.13 to 23.7.14
<b>4. Nusantara Daya Sdn Bhd</b> Lot No. PTB 21949 H.S.(D) 443014 Bandar Johor Bahru, District of Johor Bahru, Johor	Freehold	48,058 sq. ft	Vacant Land	10,300	N/A	28.11.2006
<b>5. Harn Len Pelita Bengunan Sdn Bhd</b> Kara Rangua Engkaramut Bukit Bengunan, Sri Aman Division Sarawak  Estate Buildings	NCR Native Land 60 Years	1,982 Ha	Oil palm Plantation	2,175  2,412	N/A  1-10	23.08.2010
<b>6. Gemilang Bumimas Sdn Bhd</b> - Lot No 1513 TRN.: 08-LCPLS-018-000-01513  - Lot No 1514 TRN.: 08-LCPLS-018-000-01514  All in Bukar-Sadong Land District of Samarahan Division Sarawak	Provisional Lease 20.01.2068	925 Ha	Oil palm Plantation	9,045  2,245	N/A  N/A	31.05.2010  31.05.2010
<b>7. Harn Len Realty (Serian) Sdn Bhd</b> - Lot No 1515 TRN.: 08-LCPLS-018-000-01515  All in Bukar-Sadong Land District of Samarahan Division Sarawak	Provisional Lease 20.01.2068	298 Ha	Vacant land	6,500	N/A	18.08.2011
<b>8. Harn Len Realty (Tampoi) Sdn Bhd</b> Lot 6033 HS(D) No. 221662 Mukim Bandar Johor Bahru Daerah Johor Bahru	Lease 26.2.2074	0.8073 Ha	Depot for vehicles	2,269	N/A	04.01.2015
				<b>247,867</b>		

N/A – Not Applicable

NCR – Native Customary Rights



## ANALYSIS OF SHAREHOLDINGS AS AT 18 APRIL 2016

AUTHORISED SHARE CAPITAL	:	RM500,000,000 ordinary shares of RM1-00 each
ISSUED AND FULLY PAID-UP CAPITAL	:	RM185,477,159 divided into 185,477,159 shares
NO. OF TREASURY SHARES HELD BY THE COMPANY	:	5,539,000
CLASS OF SHARES	:	Ordinary shares of RM1-00 each
NO OF SHAREHOLDERS	:	2,675
VOTING RIGHTS	:	One vote per ordinary share

### A) LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	Direct		Deemed interest in shares	
		No. of Shares	%	No. of Shares	%
1.	Tan Sri Dato' Low Nam Hui (Deceased)	5,384,333	2.99	119,842,275*1	66.60
2.	Puan Sri Datin Chan Pui Leorn	550,000	0.31	124,676,608*2	69.29
3.	Dato Liew Kuek Hin	-	-	114,507,245*3	63.64
4.	Low Quek Kiong	75,000	0.04	125,151,608*4	69.55
5.	Low Kueck Shin	-	-	125,226,608*5	69.59
6.	Low Kwek Lee	-	-	125,226,608*5	69.59
7.	Low Kuek Kong	-	-	125,226,608*5	69.59
8.	Low Kuit Son	-	-	125,226,608*5	69.59
9.	Low Kok Yong	720,000	0.40	124,506,608*6	69.19
10.	Low Kok Yaow	-	-	125,226,608*5	69.59
11.	Low Siew Eng	200,800	0.11	125,025,808*7	69.48
12.	LNH Enterprise Sdn Bhd	44,913,896	24.96	2,517,030*8	1.40
13.	Low Nam Hui United Holdings Sdn Bhd	44,399,679	24.67	-	-
14.	Low Nam Hui & Sons Sdn Bhd	10,931,070	6.07	-	-
15.	LNH (C&E) Sdn Bhd	-	-	10,931,070*9	6.07
16.	Shande Ancestral Park Berhad	10,500,000	5.84	-	-

#### Notes:-

- \*1. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*2. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by her immediate family members namely, the late Tan Sri Dato' Low Nam Hui, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*3. Deemed interested in the shares held by Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd and Seri Cemerlang Plantation (Pahang) Sdn Bhd and the shares held by his siblings, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Act. The legal action vide Johor Bahru High Court Suit No. 23NCVC-8-01-2013 instituted by Dato' Liew has been settled on 23 July 2013. The settlement has affected Dato' Liew's indirect shareholdings but no notification has been received from Dato' Liew to the effect.
- \*4. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*5. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*6. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*7. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by her immediate family members namely, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Companies Act, 1965.
- \*8. Deemed interested in the shares held by Seri Cemerlang Plantation (Pahang) Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- \*9. Deemed interested in the shares held by Low Nam Hui & Sons Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.



## ANALYSIS OF SHAREHOLDINGS AS AT 18 APRIL 2016 (Cont'd)

### B) LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct		Deemed interest in shares	
		No. of Shares	%	No. of Shares	%
1.	Puan Sri Datin Chan Pui Leorn	550,000	0.31	124,676,608*1	69.29
2.	Low Quek Kiong	75,000	0.04	125,151,608*2	69.55
3.	Low Kueck Shin	-	-	125,226,608*3	69.59
4.	Low Kwek Lee	-	-	125,226,608*3	69.59
5.	Low Kuek Kong	-	-	125,226,608*3	69.59
6.	Lee Chon Sing	1	0.00	-	-
7.	Low Kok Yong	720,000	0.40	124,506,608*4	69.19
8.	Low Kok Yaow	-	-	125,226,608*3	69.59
9.	Loh Wann Yuan	1	0.00	-	-
10.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
11.	Law Piang Woon	-	-	-	-
12.	Mohamed Akwal Bin Sultan Mohamad	-	-	-	-

Notes:-

- \*1. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by her immediate family members namely, the late Tan Sri Dato' Low Nam Hui, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*2. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*3. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.
- \*4. Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members namely, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.

### C) DISTRIBUTION OF SHAREHOLDINGS

No. of Holders	Holdings	Total Holdings	Percentage (%)
46	Less than 100	1,320	0.00
996	100 to 1,000	280,077	0.16
1,116	1,001 to 10,000	5,654,910	3.14
449	10,001 to 100,000	15,491,058	8.61
64	100,001 to less than 5% of issued shares	54,995,065	30.56
4	5% and above of issued shares	103,515,729	57.53
<b>Total:</b>	<b>2,675</b>	<b>179,938,159</b>	<b>100.00</b>



## ANALYSIS OF SHAREHOLDINGS AS AT 18 APRIL 2016

### D) TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Shares Held	Percentage (%)
1.	LNH ENTERPRISE SDN. BHD.	44,913,896	24.96
2.	LOW NAM HUI UNITED HOLDINGS SDN BHD	37,170,763	20.66
3.	LOW NAM HUI & SONS SDN. BHD.	10,931,070	6.07
4.	SHANDE ANCESTRAL PARK BERHAD	10,500,000	5.84
5.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD Exempt AN for Bank of Singapore Limited	8,884,300	4.94
6.	KENANGA CAPITAL SDN BHD Pledged Securities Account for Low Nam Hui United Holdings Sdn Bhd	7,228,916	4.02
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Law Kiu Kiong	6,000,000	3.33
8.	LOW NAM HUI	5,384,333	2.99
9.	YONG YAOW PROPERTIES SDN. BHD.	5,034,800	2.80
10.	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Law Kiong Holdings Sdn. Bhd.	4,757,200	2.64
11.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	2,517,030	1.40
12.	TOH EAN HAI	2,000,000	1.11
13.	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Law Kiu Kiong	1,220,800	0.68
14.	DYNAQUEST SDN. BERHAD	814,100	0.45
15.	CHAN PUI LEORN	550,000	0.31
16.	GAN HONG LIANG	548,100	0.30
17.	TEO KWEE HOCK	545,600	0.30
18.	CHIN HON PUN	473,200	0.26
19.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Low Kok Yong (E-TJJ)	390,000	0.22
20.	LOW KOK YONG	330,000	0.18
21.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Ng Ching Soong (470478)	328,100	0.18
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD LAW KIU KIONG	319,200	0.18
23.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Ng Faai @ Ng Yoke Pei (SRB/PMS)	315,000	0.18
24.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Lu Lip Lai (731389)	314,800	0.17
25.	TAN AIK SENG	300,000	0.17
26.	AMSEC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Ng Ching Soong	269,000	0.15
27.	EU LEE CHUAN ENTERPRISE SDN BERHAD	250,000	0.14
28.	SJ SEC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Ng Ching Soong (SMT)	235,000	0.13
29.	NG CHAI YONG	212,800	0.12
30.	LIEW MIN THIAM	206,600	0.11



汉联机构有限公司

**HARN LEN CORPORATION BHD.**

(502606-H)

(Incorporated in Malaysia under the Companies Act, 1965)

## **NOTICE**

To : The Shareholders of HARN LEN CORPORATION BHD

Dear Sirs/Madam,

Kindly be informed that the Notice of Sixteenth (16<sup>th</sup>) Annual General Meeting of the Company and its Proxy Form will be despatched to you separately from the Annual Report at a later date.

By Order of the Board

**Woo Min Fong** (MAICSA No: 0532413)

**Fong Siew Kim** (MAICSA No: 7022188)

Company Secretaries

Johor Bahru

28 April 2016

汉联机构有限公司  
**HARN LEN**  
CORPORATION BHD  
(502608-H)

6th Floor Johor Tower  
15 Jalan Gereja,  
80100 Johor Bahru,  
Johor, Malaysia.

**Tel : (607) 222 1777**

**Fax : (607) 224 9213**