



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

## ANNUAL REPORT 2012



**汉联机构有限公司**  
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(502606-H)

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## ANNUAL REPORT 2012

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirteenth (13<sup>th</sup>) Annual General Meeting of Harn Len Corporation Bhd ("Harn Len" or "the Company") will be held at Meranti Hall, 4<sup>th</sup> Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru on Wednesday, 19 June 2013 at 11.00 am for the following purposes:-

## Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. **Please refer to explanatory note 1**
2. To approve the payment of Directors' fees of RM135,000 for the financial year ended 31 December 2012. **Resolution 1**
3. To re-elect the Directors who retire in accordance with Article 84 of the Articles of Association of the Company:-
  - i) Mr Loh Wann Yuan **Resolution 2**
  - ii) Mr Low Kwek Lee **Resolution 3**
4. To re-appoint the Directors over the age of 70, pursuant to Section 129(6) of the Companies Act, 1965:-
  - i) Tan Sri Dato' Low Nam Hui **Resolution 4**
  - ii) Brig. Jen. (B) Dato' Ali Bin Hj. Musa **Resolution 5**
  - iii) Mr Law Piang Woon **Resolution 6**
  - iv) Mr Lee Chon Sing **Resolution 7**
5. To re-appoint the retiring Auditors, Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2013 and to authorise the Directors to fix their remuneration. **Resolution 8**

## Special Business:-

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

### ORDINARY RESOLUTION 1

#### 6. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

- i) "THAT subject to the passing of Resolution 2, authority be and is hereby given to Mr Loh Wann Yuan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 9**
- ii) "THAT subject to the passing of Resolution 5, authority be and is hereby given to Brig. Jen. (B) Dato' Ali Bin Hj. Musa who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 10**
- iii) "THAT subject to the passing of Resolution 6, authority be and is hereby given to Mr Law Piang Woon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 11**

### ORDINARY RESOLUTION 2

#### 7. AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 ("AUTHORITY TO ALLOT AND ISSUE SHARES") **Resolution 12**

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares so issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."



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

### ORDINARY RESOLUTION 3

#### 8. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")

"THAT subject always to the provision of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Company and/or its subsidiaries ("Harn Len Group") shall be mandated to enter into and give effect to renew the specified recurrent related party transactions of a revenue or trading nature of Harn Len Group with the specified classes of related parties as set out in Section 2.4 to 2.6(a) of the Circular to Shareholders dated 28 May 2013:-

- (1) Seri Cemerlang Plantation (Pahang) Sdn. Bhd.
- (2) Pengangkutan Low Nam Hui Sdn. Bhd.
- (3) Low Nam Hui & Sons Sdn. Bhd.
- (4) KangHui Travel Sdn. Bhd.

Resolution 13  
Resolution 14  
Resolution 15  
Resolution 16

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

- (i) the recurrent related party transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the interest of the minority shareholders;
- (ii) the Shareholders' Mandate is subject to annual renewal and disclosure is made in the annual report of the recurrent related party transactions conducted pursuant to the Shareholders' Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) and in the manner required under the Bursa Malaysia Securities Berhad Main Market Listing Requirements and as set out in Section 2.6(a) of the Circular to Shareholders dated 28 May 2013;
- (iii) the Shareholders' Mandate shall continue in force until:-
  - (a) the conclusion of the next Annual General Meeting of the Company following the forthcoming 13<sup>th</sup> Annual General Meeting at which such Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

And that the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."



# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

## ORDINARY RESOLUTION 4

### 9. PROPOSED SHAREHOLDERS' MANDATE FOR NEW RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE")

"THAT subject always to the provision of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Company and/or its subsidiaries ("Harn Len Group") shall be mandated to enter into and give effect the specified recurrent transactions of a revenue or trading nature of Harn Len Group with the specified classes of related parties as set out in Section 2.4 to 2.6(b) of the Circular to Shareholders dated 28 May 2013 which are necessary for the day-to-day operations and are on terms not more favourable to the related parties than those generally available to the public and are made on an arm's length basis and on normal commercial terms and are not detrimental to the interest of the minority shareholders:-

- (1) Advance Pinnacle Sdn. Bhd.
- (2) LNH Enterprise Sdn. Bhd.
- (3) Tanaim Sdn. Bhd.
- (4) One63 Ideas Sdn. Bhd.

Resolution 17  
Resolution 18  
Resolution 19  
Resolution 20

the authority conferred by such mandate shall continue in force until:

- (i) the conclusion of the next Annual General Meeting of the Company following the forthcoming 13<sup>th</sup> Annual General Meeting at which such Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

And that the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

## SPECIAL RESOLUTION 1

### 10. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Resolution 21

"THAT the proposed amendments to the Articles of Association of the Company as contained in the Appendix 1 attached to the Annual Report 2012 be hereby approved and adopted;

AND THAT the Directors and Secretary of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Company's Articles of Association."

### 11. To transact any other matter for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.





# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

## NOTICE OF GENERAL MEETING RECORD OF DEPOSITORS

NOTICE IS ALSO HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 13<sup>th</sup> Annual General Meeting, Harn Len shall request from Bursa Malaysia Depository Sdn Bhd in accordance with the provisions under Article 62 of Harn Len's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors ("General Meeting ROD") as at 11 June 2013. Only a depositor whose name appears on the General Meeting ROD as at 11 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.

By Order of the Board  
**HARN LEN CORPORATION BHD**

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

Johor Bahru  
28 May 2013

### Notes:-

1. Only members registered in the Record of Depositors as at 11 June 2013 are eligible to attend the Company's 13<sup>th</sup> Annual General Meeting or to appoint proxy to attend and vote on his/her behalf.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same Meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of its attorney duly authorised.
8. The Proxy Form must be deposited with the Company Secretary at the Registered Office, 6<sup>th</sup> Floor, Johor Tower, 15, Jalan Gereja, 80100 Johor Bahru, Johor, not less than 48 hours before the time set for the Meeting.

### Explanatory Notes:-

#### 1. Ordinary Business - Item 1 of the Agenda

This Agenda is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Articles of Association of the Company does not require a formal approval of the Shareholders. Hence, this Agenda is not put forward for voting.





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

### 2. Special Business:-

#### -Ordinary Resolutions

##### **Resolutions 9, 10 and 11 – Item 6 of the Agenda Continuing in office as Independent Non-Executive Directors**

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

The proposed Resolutions 9, 10 and 11 proposed under Agenda 6(i), 6(ii) and 6(iii), if passed, will allow Mr Loh Wann Yuan, Brig. Jen. (B) Dato' Ali Bin Hj. Musa and Mr Law Piang Woon to be retained and continue to act as Independent Non-Executive Directors of the Company to fulfill the requirements of Paragraph 3.04 of Bursa Malaysia's Main Market Listing Requirements and in line with the recommendation No. 3.3 of the Malaysian Code of Corporate Governance 2012.

The full details of the Board's justification and recommendations for the retention of the above Directors as Independent Non-Executive Directors is set out in the Statement on Corporate Governance in the Annual Report 2012 on page 20.

##### **Resolution 12 – Item 7 of the Agenda Authority to allot and issue shares**

The Company had during its 12<sup>th</sup> Annual General Meeting held on 26 June 2012, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). The Company did not issue any shares pursuant to this mandate obtained.

This Resolution 12 proposed in Agenda 7 is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The Resolution 12, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

##### **Resolutions 13, 14, 15 and 16 – Item 8 of the Agenda Proposed Renewal of Shareholders' Mandate**

The Board had on 26 April 2013 announced that the Company would seek the approval from its shareholders for the Proposed Renewal of Shareholders' Mandate. The existing Shareholders' Mandate obtained on 26 June 2012 will expire at the conclusion of the forthcoming 13<sup>th</sup> Annual General Meeting to be held on 19 June 2013.

The Resolutions 13, 14, 15 and 16, proposed under Agenda 8(1), 8(2), 8(3) and 8(4), if passed, will renew the mandates for the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with Seri Cemerlang Plantation (Pahang) Sdn. Bhd., Pengangkutan Low Nam Hui Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd. and KangHui Travel Sdn. Bhd. as set out in Section 2.6(a) of the Circular to shareholders dated 28 May 2013, which is sent out together with the Company's Annual Report 2012. The mandates shall continue in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company in a general meeting and is subject to renewal.



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

### Resolution 17, 18, 19 and 20 – Item 9 of the Agenda Proposed Shareholders' Mandate

The Resolutions 17, 18, 19 and 20, proposed under Agenda 9(1), 9(2), 9(3) and 9(4), if passed, will enable the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with Advance Pinnacle Sdn. Bhd., LNH Enterprise Sdn. Bhd., Tanaim Sdn. Bhd. and One63 Ideas Sdn. Bhd. as set out in Section 2.6(b) of the Circular to shareholders dated 28 May 2013, which is sent out together with the Company's Annual Report 2012. The mandates shall continue in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company in a general meeting.

### 3. Special Business:- -Special Resolution

#### Resolution 21 – Item 10 of the Agenda Proposed Amendments to the Articles of Association

The Resolution 21 proposed under Agenda 10, if passed, will give authority to amend its Articles of Association to be aligned with the amendments to the Main Market Listing Requirements of Bursa Securities as well as for better clarity and enhancement.







## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-appointment at the 13<sup>th</sup> Annual General Meeting of Harn Len Corporation Bhd ("the Company"):-

- Tan Sri Dato' Low Nam Hui
- Brig. Jen. (B) Dato' Ali Bin Hj. Musa
- Mr Law Piang Woon
- Mr Lee Chon Sing

2. Directors who are standing for re-election by rotation at the 13<sup>th</sup> Annual General Meeting of the Company pursuant to Article 84 of the Company's Articles of Association:-

- Mr Loh Wann Yuan
- Mr Low Kwek Lee

3. Detail of attendance of Directors at Board Meetings

\*Please refer to Statement of Corporate Governance on page 21 of this Annual Report.

4. Thirteenth (13<sup>th</sup>) Annual General Meeting of Harn Len Corporation Bhd

Place : Meranti Hall, 4<sup>th</sup> Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru

Date and Time : Wednesday, 19 June 2013 at 11.00 am

5. Securities holdings in the Company by the Directors standing for re-election and re-appointment as at 30 April 2013:-

No.	Name of Directors	Direct		Deemed Interest in Shares	
		No. of Shares	%	No. of Shares	%
1.	Mr Loh Wann Yuan	1	0.00	-	-
2.	Mr Low Kwek Lee	-	-	125,714,208 <sup>1</sup>	67.78
3.	Tan Sri Dato' Low Nam Hui	4,264,333	2.30	121,449,875 <sup>2</sup>	65.48
4.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
5.	Mr Law Piang Woon	-	-	-	-
6.	Mr Lee Chon Sing	1	0.00	-	-

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 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.

\*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 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. Profile of Directors standing for re-election and re-appointment

\*Please refer to the section on profile of Directors on pages 12 to 14 of this Annual Report.



## 5 YEARS KEY STATISTICS

	YEAR					
	2012	2011	2010	2009	2008	
<b>FINANCIAL PERFORMANCE</b>						
Revenue	(RM'000)	217,325	166,767	131,487	103,078	137,528
Profit From Operations	(RM'000)	11,092	26,838	24,001	17,100	29,804
Ebitda	(RM'000)	27,057	40,133	36,749	28,722	39,528
Profit Before Tax	(RM'000)	2,662	19,996	17,051	10,958	23,922
Taxation	(RM'000)	6,570	8,164	6,253	5,974	3,557
<b>(Loss) / Profit After Tax</b>	<b>(RM'000)</b>	<b>(3,908)</b>	<b>11,832</b>	<b>10,798</b>	<b>4,984</b>	<b>20,365</b>
Net (Loss) / Net profit to equity holders	(RM'000)	(509)	13,298	12,832	6,905	20,977
Shareholders' Equity	(RM'000)	253,853	254,362	244,774	231,942	226,892
Total Assets	(RM'000)	444,470	421,789	393,590	364,462	356,329
Total Borrowings	(RM'000)	145,259	125,434	114,341	98,310	85,154
Return on Equity	%	(0.20)	5.23	5.24	2.98	9.25
PE Ratio (times)		-	11	12	19	NA
Return on Total Assets	%	(0.11)	3.15	3.26	1.89	5.89
Gearing Ratios		1:1.75	1:2.03	1:2.14	1:2.36	1:2.66
Interest Cover (times)		3.2	4.8	5.2	4.6	6.4
Nett Debts to shareholders equity	%	57	49	47	42	38
Earnings Per Share-Basic	Sen	(0.3)	7.2	6.9	3.7	11.3
Net Assets Per Share	RM	1.33	1.33	1.28	1.21	1.18
Gross Dividend per share	Sen	-	1	1	1	2
Gross Dividend yield	%	-	1.25	1.22	1.43	NA
Share Price at financial year end	Sen	89.5	80	82	70	NA
<b>ESTATES</b>						
<u>Planted area</u>						
Mature	(ha)	12,068	11,301	12,341	12,603	11,957
Immature	(ha)	2,660	3,335	1,941	1,622	1,859
<b>Total Planted Area</b>	<b>(ha)</b>	<b>14,728</b>	<b>14,636</b>	<b>14,282</b>	<b>14,225</b>	<b>13,816</b>
FFB Production	(mt)	166,165	153,670	146,925	164,914	161,933
Yield Per Mature Hectare	(mt/ha)	13.769	13.598	11.905	13.085	13.543
<b>MILLS</b>						
<u>FFB Processed</u>						
Own FFB	(mt)	86,202	31,081	46,275	68,842	80,390
Outside FFB	(mt)	197,505	76,428	65,066	53,797	55,340
<b>Total</b>	<b>(mt)</b>	<b>283,707</b>	<b>107,509</b>	<b>111,341</b>	<b>122,639</b>	<b>135,730</b>
<u>Production</u>						
Crude Palm Oil	(mt)	58,081	21,233	21,800	24,548	27,191
Palm Kernel	(mt)	13,493	5,504	6,037	6,802	7,822
<u>Extraction Rate</u>						
Crude Palm Oil Extraction Rate	(%)	20.47	19.69	19.57	20.00	20.04
Palm Kernel Extraction Rate	(%)	4.76	5.14	5.36	5.56	5.78
<u>Average Selling Prices (Nett)</u>						
Crude Palm Oil	(RM/mt)	2,650	3,242	2,713	2,102	2,808
Palm Kernel	(RM/mt)	1,390	2,199	1,770	1,098	1,651
<u>Trees Profile</u>						
Immature (0-3 years)	Ha	2,660	3,335	1,941	1,622	1,859
Young (4-7 years)	Ha	3,704	4,801	7,282	6,520	5,874
Prime (8-19 years)	Ha	6,664	4,800	180	1,831	1,831
Past Prime (> 20 years)	Ha	1,700	1,700	4,879	4,252	4,252
<b>Total</b>		<b>14,728</b>	<b>14,636</b>	<b>14,282</b>	<b>14,225</b>	<b>13,816</b>

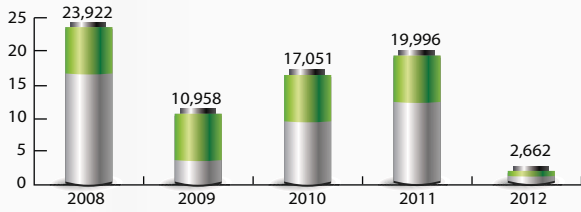
Ebitda - Earnings before Interest, Tax, Depreciation and Amortisation

NA - Not Available

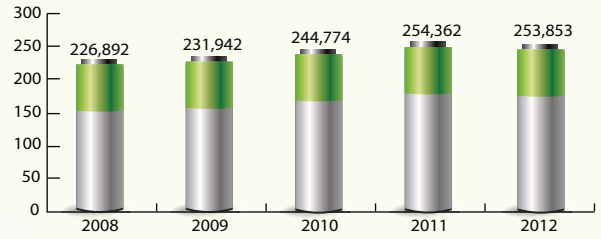


## 5 YEARS KEY STATISTICS (Cont'd)

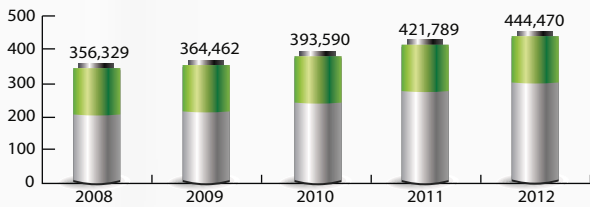
Profit Before Tax 扣税前盈利 (RM'000)



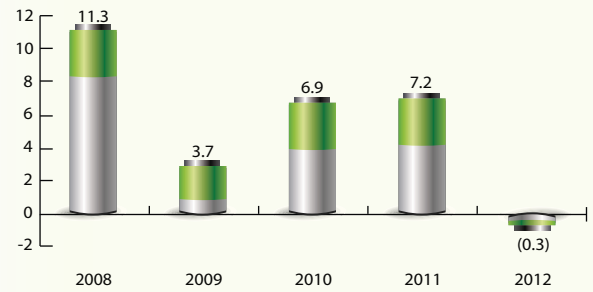
Shareholders' Equity 股东基金 (RM'000)



Total Assets 总资产 (RM'000)



Earnings Per Share-Basic 每股基本收益 (SEN)







## CORPORATE INFORMATION



From left to right:

Low Kwek Lee, Loh Wann Yuan, Brig. Jen. (B) Dato' Ali Bin Hj. Musa, Low Kueck Shin, Puan Sri Datin Chan Pui Leorn, Tan Sri Dato' Low Nam Hui, Low Quek Kiong, Lee Chon Sing, Law Piang Woon, Low Kuek Kong

### BOARD OF DIRECTORS

Tan Sri Dato' Low Nam Hui	<i>(Executive Chairman)</i>
Puan Sri Datin Chan Pui Leorn	<i>(Executive Director)</i>
Mr Low Quek Kiong	<i>(Executive Director)</i>
Mr Low Kueck Shin	<i>(Executive Director)</i>
Mr Low Kwek Lee	<i>(Executive Director)</i>
Mr Low Kuek Kong	<i>(Executive Director)</i>
Mr Lee Chon Sing	<i>(Executive Director)</i>
Mr Loh Wann Yuan	<i>(Senior Independent Non Executive Director)</i>
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	<i>(Independent Non Executive Director)</i>
Mr Law Piang Woon	<i>(Independent Non Executive Director)</i>

### AUDIT COMMITTEE

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

### NOMINATING COMMITTEE

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

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

### SHARE REGISTRAR

Messrs Tricor Investor Services Sdn Bhd  
Suite 1301, 13<sup>th</sup> Floor  
City Plaza, Jalan Tebrau  
80300 Johor Bahru  
Telephone No. : 07 - 3322088  
Facsimile No. : 07 - 3328096

### AUDITORS

Messrs KPMG  
Chartered Accountants  
Level 14, Menara Ansar  
80000 Johor Bahru  
Johor, Malaysia

### PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad  
The Bank of Nova Scotia Berhad  
Public Bank Berhad  
HSBC Bank Malaysia Berhad

### STOCK EXCHANGE

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

### WEBSITE

harnlen.com.my



## PROFILE OF DIRECTORS



**TAN SRI DATO' LOW NAM HUI**  
*EXECUTIVE CHAIRMAN NON-INDEPENDENT*

**Tan Sri Dato' Low Nam Hui**, aged 95, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003 and subsequently was appointed the Executive Chairman on 1 August 2003. Currently, he is also the Chairman and Managing Director of Low Nam Hui Group of Companies ("LNH Group"). An entrepreneur, immediately after the Second World War, he started off as a timber trader and then ventured into transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations, property development and hotel operations.

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.

Tan Sri Dato' Low is the Honorary Adviser to the Johor Bahru Chinese Chamber of Commerce and Industry, Johore Associated Chinese Chamber of Commerce and Industry and The Associated Chinese Chambers of Commerce and Industry of Malaysia. He is also the Adviser of All-China Federation of Returned Overseas Chinese.

Tan Sri Dato' Low is the spouse of Puan Sri Datin Chan Pui Leorn and the parent of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kuek Kong who are all directors of the Company. He 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 30 of the Financial Statements.



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

**Puan Sri Datin Chan Pui Leorn**, aged 54, a Malaysian, was appointed to the Board of Harn Len as an Executive Director on 1 March 2011. 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.

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 the spouse of Tan Sri Dato' Low and the parent of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kuek Kong 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 30 of the Financial Statements.



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

**Low Quek Kiong ("Low QK")**, aged 61, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003 and subsequently was appointed the Executive Director on 1 August 2003. 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 the son of Tan Sri Dato' Low and Puan Sri Datin Chan and the sibling of Mr Low Kueck Shin, Mr Low Kwek Lee and Mr Low Kuek Kong 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 30 of the Financial Statements.



## PROFILE OF DIRECTORS (Cont'd)



### LOW KUECK SHIN

*NON-INDEPENDENT, EXECUTIVE*

Low Kueck Shin ("Low KS"), aged 56, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003 and subsequently was appointed the Executive Director on 1 August 2003. Mr Low KS obtained his Higher National Diploma in Business Studies from Croydon Technical College, London, England. He has more than 25 years' experience in the oil palm plantation business.

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.

Besides his involvement in Harn Len, Mr Low KS is the Deputy President of Johor Bahru Chinese Chamber of Commerce and Industry.

Mr Low KS is the son of Tan Sri Dato' Low and Puan Sri Datin Chan and the sibling of Mr Low Quek Kiong, Mr Low Kwek Lee and Mr Low Kuek Kong 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 30 of the Financial Statements.



### LOW KWEK LEE

*NON-INDEPENDENT, EXECUTIVE*

Low Kwek Lee ("KL Low"), aged 54, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003 and subsequently was appointed the Executive Director on 1 August 2003.

Mr KL Low obtained his Higher National Diploma in Business Studies from Brighton Technical College, London, England in 1980 and is an associate member of Institut Pengurusan Malaysia (MIM) since 1991. 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 the son of Tan Sri Dato' Low and Puan Sri Datin Chan and the sibling of Mr Low Quek Kiong, Mr Low Kueck Shin and Mr Low Kuek Kong 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 30 of the Financial Statements.



### LOW KUEK KONG

*NON-INDEPENDENT, EXECUTIVE*

Low Kuek Kong ("Low KK"), aged 46, a Malaysian, was appointed to the Board of Harn Len on 25 February 2003 and subsequently was appointed the Executive Director on 1 August 2003. Mr Low KK graduated with a Degree in 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 the son of Tan Sri Dato' Low and Puan Sri Datin Chan and the sibling of Mr Low Quek Kiong, Mr Low Kueck Shin and Mr Low Kwek Lee 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 30 of the Financial Statements.





## PROFILE OF DIRECTORS (Cont'd)



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

**Lee Chon Sing**, aged 71, a Malaysian, was appointed to the Board of Harn Len on 15 April 2002 and subsequently was 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.

Mr Lee is not related to any director or substantial shareholder of Harn Len. Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia.

Mr Lee does not have any conflict of interest in any business arrangement involving the Company.



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

**Loh Wann Yuan**, aged 44, 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 is not related to any director or substantial shareholder of Harn Len. Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia.

Mr Loh graduated from University of London with a Bachelor of Law Degree and Masters in Law from New South Wales and Western Australia. He was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1994 with experience in conveyancing, commercial and corporate laws. He is currently practising at Messrs Syed Alwi, Ng & Co.

Mr Loh is not related to any director or substantial shareholder of Harn Len.

Mr Loh does not have any conflict of interest in any business arrangement involving the Company.



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

**Brig. Jen. (B) Dato' Ali Bin Hj Musa ("Dato' Ali")**, aged 70, 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.

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



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

**Law Piang Woon**, aged 71, 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), Certified Public Accountant (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.

Mr Law does not have any conflict of interest in any business arrangement involving the Company.

### 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.



## CHAIRMAN'S STATEMENT



### *Introduction*

*On behalf of the Board of Directors of Harn Len Corporation Bhd ("Harn Len"), I am pleased to present the Annual Report and Financial Statements of the Group and the Company for the Financial Year ended 31 December (FY 2012).*

#### Financial Performance

For FY 2012, Harn Len Group recorded an improved turnover of RM217,325,000 as compared to the revenue of RM166,767,000 recorded in the financial year ended 31 December 2011 (FY 2011). However, profit before tax of the Group dropped from RM19,996,000 in FY 2011 to RM2,662,000 in FY 2012.

Plantation operations continued to remain the core business sector for Harn Len Group accounting for over 95.0% of the Group's turnover. The financial performance of the Group suffered greatly due to lower Crude Palm Oil ("CPO") prices, which remained soft throughout FY 2012 and averaged RM2,650 per metric tonne in 2012 as compared to RM3,242 per metric tonne in 2011, a decline of 18.2%. The softer CPO prices are mainly attributable to palm oil stocks build-up, increased CPO production and weaker export demand. However, the Group still managed to record an increase in turnover due to an overall increase in production of fresh fruit bunches in particular in Sarawak and the commencement of operations of the new palm oil mill in Sarawak.

Other than softer CPO prices, the Group's oil palm operations were also adversely affected by the purchase of fresh fruit bunches from external sources, decline in production in Uniglobal Estates, increase in operating costs such as estate maintenance costs, manufacturing costs, fertilizer costs and distribution costs, as well as the imposition of CPO sales tax in Sarawak. The Group also faced higher overall financing costs for FY 2012. While the Company is unable to control the pricing of global CPO prices, the Company will have to better plan and manage its plantation operations to address the issue of increasing operating costs.

The hotel operations of the Group saw a slight improvement with hotel occupancy at 71.0% and increase in average room rate to RM91 as compared to the previous financial year. This is due to increased economic and tourism activity in the Iskandar region with the opening of Legoland and Puteri Harbour Theme Park in the second half of 2012 and continued promotional activities undertaken by the hotel.

#### Dividend

Due to the difficult operating conditions of the palm oil sector, the Board has not recommended the payment of any dividend for FY 2012.

#### Corporate Development

There were no major corporate developments announced in FY 2012.

#### Related Party Transactions

Related party transactions for the FY 2012 are disclosed in Note 30 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 May 2013 sent out together with this Annual Report for more information.



## CHAIRMAN'S STATEMENT (Cont'd)

### Prospects

The fortunes of the Group will be closely tied in to global CPO prices. CPO prices are expected to stabilize around the RM2,400 per metric tonne price level in the immediate future. The Group will remain focused on better managing and planning its oil palm operations to control the rise in operating costs. The Group expects continued pressure on operating costs due to the implementation of minimum wage in the next financial year as well as continued shortage of labour. Economic weakness in China and the European Union region will likely result in continued soft demand for CPO in the near term. However, this will be tampered by the new CPO export duty tariff which comes into effect in 2013 and which will give an advantage to local exporters.

The Board is cautiously optimistic of Harn Len Group's financial performance for the forthcoming financial year. The Board also notes improvement in the results of the Group over the second half of FY 2012 compared to the first half due to increased production of CPO and palm kernel at Masranti oil mill upon its commissioning, increased production of fresh fruit bunches in Masranti plantation and Harn Len Pelita Bengunan plantation in Sarawak and better management of estate costs in general. Correspondingly, replanting activities undertaken in the past year in the plantations in Pahang will continue to have an adverse effect on yields.

With the tipping point in the Iskandar region reached in 2012, the increased economic vibrancy in the economic corridor is expected to provide a boost to the Group's hotel and investment properties which are located in the heart of Johor Bahru city. The announcement of the high speed rail link between Singapore and Kuala Lumpur, the expected completion of the MRT link to Johor Bahru by 2018, continued active foreign participation in the property sector in the Iskandar region and improved infrastructure should provide a good base in the longer term for the Group's investments in the property segment in the area.

### Appreciation

On behalf of the Board of Directors of Harn Len, I wish to express our sincere appreciation to the management and staff for their continued dedication and commitment to the Group and 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 my fellow Board members for their invaluable contribution and efforts extended to the Group during the year.

**TAN SRI DATO' LOW NAM HUI**  
Executive Chairman  
26 April 2013





# 主席献词

## 前言

本人谨此代表汉联机构公众有限公司（汉联）董事部，欣然向各位股东提呈公司截止2012年12月31日财政年度业绩报告及经审计财务报告。

## 业绩

2012财政年与上一财政年相比，本集团的总营业额由166,767,000令吉增长至217,325,000令吉。然而，其课税前盈利则从上一财政年的19,996,000令吉下滑至今年的2,662,000令吉。

油棕种植业仍继续保持为本集团的核心业务，占据了本集团95%以上的营业额。整体上本集团的财政表现遇到重挫，原因是受到疲软的原棕油价格波及。与2011年的平均原棕油价格相比，从每公吨3,219令吉跌至今年的2,764令吉，下降了14.1%。累积储存棕油产品、过量生产原棕油以及出口需求疲软等情况是造成原棕油价格市场变脆弱的主要因素。尽管处于种种不良因素阴影之下，本集团新鲜棕油果串的产量却显著增长，尤其是在沙劳越州。其州内新棕油厂的操作也已经开始投入营运，因此本集团的营业额仍能够取得整体的增长。

除了面对疲软的原棕油价格，本集团的油棕业营运也遭受到其他各种负面挑战而被减弱。主要的冲击包括：向其他供应商购买新鲜棕油果串、Uniglobal园丘产量下滑、园丘经费增加、肥料价格上涨和更高的营运费用等。这些问题导致营运成本不断增加，加上沙劳越州已实行了抽取原棕油销售税，因此公司必须承担2012财政年度整体较高的财务经费。虽然公司是无法控制全球原棕油价格定价，但是公司会更好地区划和管理其种植园丘以解决增加经营成本的问题。

随着柔佛州依斯干达经济特区内的乐高乐园和公主港口主题公园在2012年下半年相继启业后，带动了州内之经济领域和旅游业务发展活动步伐，无限商机应运而生。加上本集团属下酒店继续开展促销活动，因此，本集团的酒店业务表现略有改进。与上个财政年度的比较下，今年酒店入住率为71%而平均客房价则增长至91令吉。

## 派发股息

由于本集团的油棕业受压，董事部不建议在2012财政年度派发任何股息。

## 企业发展

本集团过去一年没有宣布任何主要的企业事态发展。

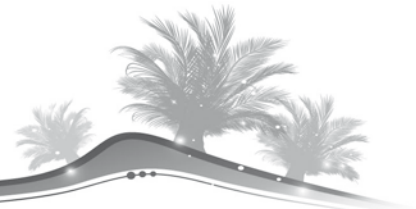
## 相关方的交易

本集团于回顾财政年度内所有互相关联公司方面的交易详情已在2012年度年报之财务声明第30项披露。有关通函（誌期：2013年5月28日）寻求股东们批准更新一贯性的相关方交易事项，已经随同本年年报一起发送出去。

## 2013年展望

本集团的财富前景与全球原棕油价格紧密挂钩，预计原棕油平均价格水平在不久的将来会稳定在每公吨2,400令吉左右。集团将继续以更好的油棕管理和规划措施来克服经营成本上升的趋势。在下个财政年度中，随着最低工资制实行后，相应的人工短缺问题即将冲击市场。故此，预料增加集团的经营成本压力和挑战将会持续下去。中国和欧盟区域的经济疲软也将有可能导致原棕油需求量在短期内持续薄弱。然而，在2013年生效的原棕油出口税实施下，这将会缓和整体情况并让本地出口商占上优势。

董事部持谨慎乐观态度看待本集团在下一财政年的财政表现。在2012财政年中，后半年的整体表现比前半年出色。主要原因是Masranti棕油厂已正式投入生产，加快原棕油和油棕仁产量、大体上Masranti园丘和沙劳越州内的汉联Pelita Bengunan园丘的新鲜棕油果串产量也在提高、以及更有效地监控园丘的一般营运成本。然而，在过去一年彭亨州内进行的种植园翻种活动却影响到公司的理想收益率。



## 主席献词 (续)

依斯干达经济特区在2012年产生重大变化,它带动了州内的经济活力,活跃的经济趋势将助推本集团属下的新山市心脏地带酒店业务与产业投资发展。建造新加坡与吉隆坡之间的高速快铁计划以及即将在2018年完成从新加坡通行至新山的捷运快铁服务等改善本地基础设施之资讯,加上外国投资者继续积极参与依斯干达经济特区的产业投资活动,将会有利于本集团长期地在该地区的产业领域扮演着恰当的角色而获得收益回报。

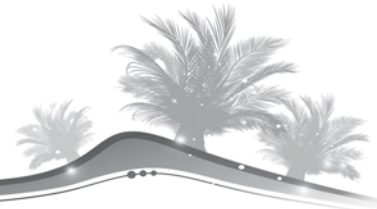
### 鸣谢

本人谨代表董事部全体成员由衷感谢本集团的管理层与全体职员对公司所有尊贵的顾客们、商业伙伴、供应商及政府机构展现不懈的奉献、至诚服务与合作。本人也真诚感谢尊敬的股东们,对本公司坚定不移的支持和信任。本人也要衷心感谢诸位董事部成员在过去一年不辞劳苦地领导并给予本集团指引及积极参与董事职务。

丹斯里拿督刘南辉局绅

执行主席

誌期:2013年4月26日



# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Harn Len Corporation Bhd ("Harn Len" or "the Company") recognizes the importance of good corporate governance towards building and maintaining corporate credibility and enhancing shareholders' value.

The Board is pleased to present the following statement on the application of the principles and compliance with the best practices as set out in the Malaysian Code of Corporate Governance 2012 ("the Code") and throughout the year ended 31 December 2012. Unless otherwise specified and explained, the Board is of the opinion that the Company has generally complied with the best practices in the 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 Company and its subsidiaries ("Harn Len Group" or "the Group").

The Executive Directors 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 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.

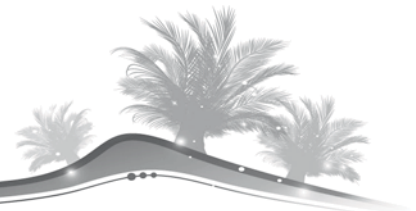
### Board Composition and Independence

The Board comprises ten (10) members, of whom seven (7) are Executive Directors ("EDs") and three (3) are Independent Non-Executive Directors ("INEDs"). The Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") that requires at least two (2) or one-third (1/3) of the Board to be Independent Directors, whichever is the higher.

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 plantations, property, manufacturing, legal and accounting. A brief profile of each Director is presented on pages 12 to 14 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.





## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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 all the three 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 judgment and they remain demonstrably independent. In addition, they have also:-

1. fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements;
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

There is a clear division of roles and responsibilities between the Executive Chairman ("EC") and Executive Directors ("EDs") to ensure there is balance of power authority and that no one individual has unfettered powers of decision. The executive powers of the Executive Chairman and the Executive Directors are balanced by the presence of Independent Non-Executive Directors 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.

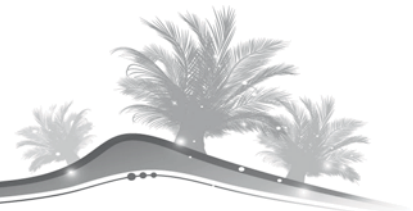
The EC is responsible for providing effective leadership in determination of the Group's strategy, conduct and governance of the Board. The EC is also responsible for ensuring the efficient organization and conduct of the Board's function and meetings, and effective communications with shareholders and stakeholders.

The EC, given his years of experience and track record capabilities to show leadership, entrepreneurship skills and business acumen, plays an instrumental role in developing the business of Harn Len Group and provides the Group with strong leadership and vision.

The EDs are collectively responsible for implementing the corporate strategies, policies and decision of the Board as well as initiating the business development efforts of the Group. The EC 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.

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)

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"), Nomination 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.

From a practical perspective, increasing the size of the Board further would be cumbersome and expensive for Harn Len, a medium size company, to maintain.

The Board maintains that the current size remains optimum and conducive for effective deliberations at the Board Meetings for efficient conduct of Board Meetings.

### 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 aims at promoting business sustainability and is set out on pages 25 to 26 of this CG 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.

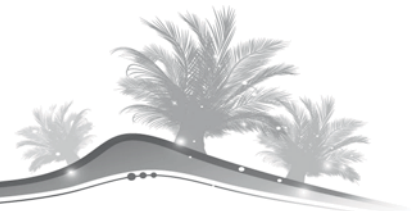
During the financial year, a total of five (5) Board meetings were held. The attendance of each Director is as follows:-

Director	Designation	Attendance
Tan Sri Dato' Low Nam Hui	Executive Chairman	5 out of 5
Puan Sri Datin Chan Pui Leorn	Executive Director	5 out of 5
Mr Low Quek Kiong	Executive Director	5 out of 5
Mr Low Kueck Shin	Executive Director	5 out of 5
Mr Low Kwek Lee	Executive Director	5 out of 5
Mr Low Quek Kong	Executive Director	5 out of 5
Mr Lee Chon Sing	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	4 out of 5

### Supply of Information

The agenda of each meeting is determined by the Chairman of the Board 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 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.

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.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### Supply of Information (continued)

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

The Board has the services of two (2) Company Secretaries who are responsible to the Board for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with. 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 decisions made are properly kept.

### Directors' Training

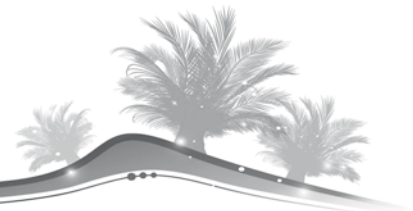
All Directors have completed the Mandatory Accreditation Programme as required under the Listing Requirements.

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.

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

Director	Course Title	Trainer/Organiser	Date
Tan Sri Dato' Low Nam Hui	1) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	2) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	
Puan Sri Datin Chan Pui Leorn	1) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	2) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	
Mr Low Quek Kiong	1) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	2) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	
Mr Low Kueck Shin	1) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	2) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	
Mr Low Kwek Lee	1) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	2) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	
Mr Low Kuek Kong	1) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	2) 2) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	





## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Director	Course Title	Trainer/Organiser	Date
Mr Lee Chon Sing	1) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	2) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	
Mr Loh Wann Yuan	1) Impact of Amendments to Listing Requirements Malaysian Code on Corporate Governance 2012	KPMG	03-05-2012
	2) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	3) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	
Brig. Jen. (B) Dato' Ali Bin Haji Musa	1) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	2) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	
Mr Law Piang Woon	1) Going Concern- Auditing & Accounting (Applying the Appropriate MFRSs) Considerations	Malaysian Institute of Accountants	09-07-2012 & 10-07-2012
	2) Corporate Financial Reporting Standards (Module 1)	-do-	01-08-2012 & 02-08-2012
	3) Overview on Chapter 10 of Listing Requirements - Transactions	Tricor Corporate Services Sdn Bhd	28-08-2012
	4) Key recommendations from Malaysian Code on Corporate Governance 2012	-do-	

### BOARD COMMITTEES

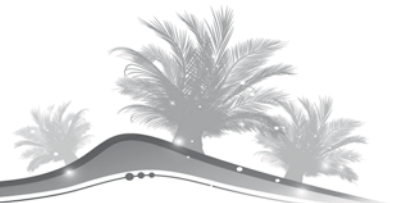
To assist the Board in discharging its duties, the various Board Committees have been established. The functions and terms of references of the Board Committees are clearly defined and where applicable, comply with the recommendations of the Code.

#### 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

The information of the functions and duties of the AC, and its activities carried out during the financial year are set out on pages 30 to 32 of this Annual Report.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### Nominating Committee ("NC")

The NC met once during the year and comprises wholly INEDs. 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

The NC is responsible for making recommendations for any new candidates to the Board and assessing the Directors on an on-going basis. It 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.

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

The appointment, re-appointment and annual assessment of Directors are set out in the Terms of Reference of the NC. When making recommendations on the selection of candidates or on re-appointment of Directors, the NC will consider criteria such as skills, knowledge, expertise, experience, professionalism, character and integrity, competence and time to effectively discharge their role.

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 Tan Sri Dato' Low Nam Hui, 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 Mr Loh Wann Yuan and Mr Low Kwek Lee 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 ("RC")

The RC met twice 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 (Independent Non-Executive Director)	- Member
Mr Lee Chon Sing (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.



# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## 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 package of EDs. To ensure that the remuneration package 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.

## Directors' Remuneration

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

	Executive Directors (RM)	Non-Executive Directors (RM)
Salaries, bonus and allowances	5,070,162-00	94,000-00
Fees	10,800-00	135,000-00
Attendance Fees	-	49,000-00

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	Non-Executive Directors
RM50,001 to RM100,000	-	3
RM350,001 to RM400,000	1	-
RM400,001 to RM450,000	1	-
RM450,001 to RM500,000	2	-
RM750,001 to RM800,000	1	-
RM800,001 to RM850,000	1	-
RM1,750,001 to RM1,800,000	1	-

## CORPORATE RESPONSIBILITY STATEMENT

The Group does not have a formal Corporate Social Responsibility (CSR) Policy. However, the Group endeavors to contribute to a sustainable and better world by focusing on the environment, health and safety and the well-being of the community that it serves.

Harn Len has committed to development of land in East Malaysia and for the last decade the development there has brought much social and economic benefits to landowners who are from the indigenous community of Malaysia. Many jobs have since been created and employments of the locals are given priority. Some of the managerial positions at our operating units are held by the locals.

The Estate Management continues to engage 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.

Our Group places great emphasis on enhancing living conditions of the communities where we operate. Substantial sums have been invested for housing, provision of free electricity and water supplies to the employees in the estates and mills with the objective of providing the residents with better living conditions. During the year, the Group sponsored repairs of roads serving villages and flood mitigation projects within our estates in Sarawak.





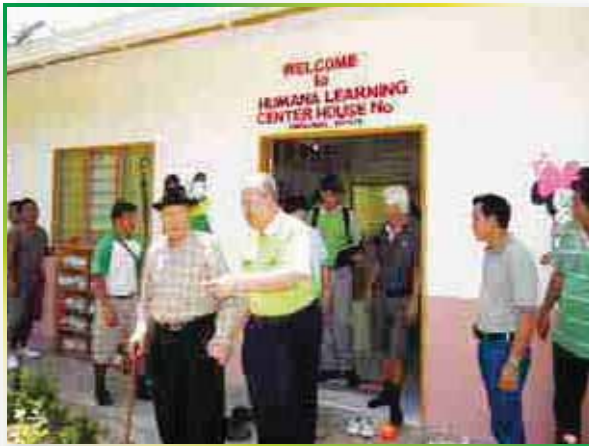
## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### CORPORATE RESPONSIBILITY STATEMENT (continued)

The Group practices zero burning where there is strictly no open burning of any kind at its respective plantations and ensures that all waste products are disposed of safely and appropriately. The oil palm by-products generated from our Group's plantation operations 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. The oil mills has a waste treatment system to ensure that the palm oil effluent is properly treated before recycling. In addition, light shells 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 Company has also continued 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 and hosting a festive celebration for two orphanages. In addition, in our commitment to improve literacy rate and alleviate poverty via education, the Group makes monetary contributions annually to support the efforts of social NGO, Humana Child Society Sabah at our Uniglobal Estate. Other funded education based initiatives to cater for children of our employees are providing amenities such as crèches and kindergartens. Transport are also provided to children going to schools at the estates.

In enhancing a safe and healthy working environment, Safety and Health Committees (SHC) have been established at various units of the operation. The SHC has conducted safety courses, organized fire fighting training, fire drill and First Aid programmes for employees as well as tenants of its own hotel cum office building, Johor Tower, to raise awareness on safety and health issues. Further, in our effort to promote a healthy lifestyle, the Company organizes activities such as Waidangong, a form of peaceful Chinese Qi Qong, twice weekly for its employees as well as other workers within its vicinity.



School in Uniglobal Estate, Sabah



Education Awards



Hosting of lunch for orphans of Elijah Home and Rumah Berkat



'Waidangong' Exercise



# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## 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.

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. It is the policy of the AC to meet with the EA at least three (3) times to discuss on audit findings, audit plan and the Company's financial statements. In at least two of these meetings, AC will meet the EA without the presence of the Executive Directors and Management. 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 Executive Directors 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, who reports directly to the AC. The AC reviews and approves the internal audit plan and the scope of work of the internal audit function.

Details of the activities of the Internal Audit Function are set out in the Statement of Risk Management and Internal Control on pages 33 and 34 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 30 to the Financial Statement of this Annual Report.



# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## 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 Listing Requirements and other applicable laws.

## 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 ON CORPORATE GOVERNANCE (Cont'd)

### 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.

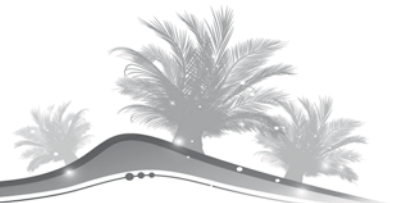
The Directors consider that in preparing the financial statements:-

- 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 26 April 2013.



# AUDIT COMMITTEE REPORT

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 2012 as follows:-

## 1. Members and Meetings

During the financial year ended 31 December 2012 and up to the date of this report, the AC is comprised of three (3) members who are all Independent Non-Executive Directors.

A total of nine (9) 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	9 out of 9
Mr Law Piang Woon	Member	9 out of 9
Brig. Jen (B) Dato' Ali Bin Hj. Musa	Member	9 out of 9

## 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:-

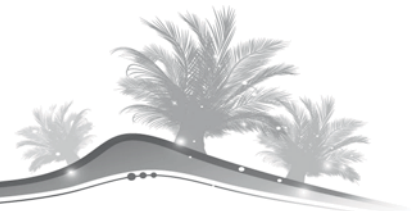
- (i) a member of the Malaysian Institute of Accountants (MIA); or
- (ii) if not a member of MIA, must have at least three (3) years' working experience, and
  - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - (b) he must be a member 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 3 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 7 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.

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 (3) months, and the Nomination Committee shall review and recommend for the Board's approval another appropriate Director to fill the vacancy.



## AUDIT COMMITTEE REPORT (Cont'd)

### 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

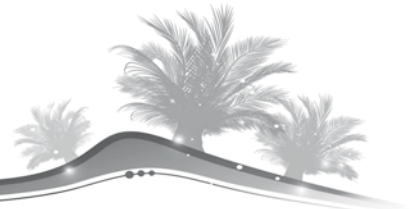
The principal duties and responsibilities of the AC shall include:-

- to review the effectiveness of management information and other systems of control within the Company and the Group;
- 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;
- to review and report on areas of conflict of interest;
- 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 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.



## AUDIT COMMITTEE REPORT (Cont'd)

### 2.5 Meetings

The AC is to meet not less than four (4) times a year and as many times as the AC deems necessary. The quorum for meetings shall be two (2) members who are Independent Non-Executive Directors. If the number of members present for the meeting is more than two, the majority of members present must be Independent Directors. The Secretary to the AC shall be the Company Secretary or her representative.

The Chief Financial Officer, Group Accountant and Head of Accounts Departments/Internal Audit, and representatives of the external auditors shall normally attend meetings. Other Board members may attend meetings upon invitation of the Committee. The presence of the external auditors will be by invitation as and when required.

Minutes of each meeting shall be kept by the Secretary as evidence that the AC has discharged its functions. The Chairman of the AC will report to the Board after each AC meeting. The AC minutes will be forwarded to Board members for information.

### 3. Summary of Activities during the Financial Year

During the financial year, all members of AC had attended all the meetings held on 18 January, 27 February, 6 April, 24 April, 28 May, 17 August, 27 August, 20 September and 28 November. External auditors were invited and attended three (3) of the AC meetings of which two meetings was without the presence of any management personnel. From the private discussion with them, AC gathered that management had given their full co-operation to the auditors and was satisfied that the auditors were able to carry out their duties with full cooperation from management as well as staff members.

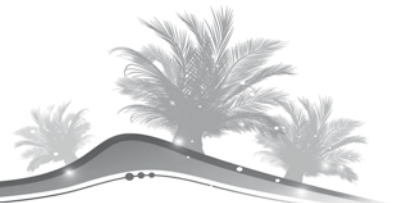
In line with its Terms of Reference, AC carried out the following activities during the financial year ended 31 December 2012:-

- Reviewed the unaudited quarterly financial results and report for Board's approval for public release;
- Reviewed the unaudited financial statements for the financial year ended 31 December 2012 for Board's approval for public announcement;
- 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;
- 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;
- Reviewed the internal audit plan and the internal audit reports;
- Reviewed the external audit plan and the external auditors' reports;
- Reviewed and appraisal of the external auditors' performance for recommendation for re-appointment;
- Reviewed the Risk Management reports;
- Reviewed the related party transaction that arose within the Group;
- Reviewed of the reports on RRPT of a revenue and trading nature;
- Reviewed of the financial budgets;
- Reviewed and assessment of sizeable potential investments; and
- Discussion and review of any other matters that were raised during the meetings.

### 4. 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 33 and 34 of this Annual Report.





# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

The Board of Directors remains committed towards ensuring that a sound system of risk management and internal control exists in order 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 2012 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 applicable 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 also 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 respective Heads of Departments and Operational Units are responsible for managing risks related to their functions on a day-to-day basis. Management meetings are held to ensure that risks faced by the Group are discussed, monitored and appropriately addressed. The RMC in its meetings has discussed on the status of risks, measures taken and suitable follow-up actions.

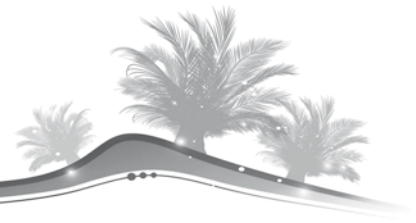
## Internal Audit Function

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 2012 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 internal control system.

The areas to be audited by the Internal Auditors were determined based on the review of risk reports prepared by RMC as well as discussion with the management and members of the Audit Committee. The Audit Committee reviewed and approved the Internal Audit Plan 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 four (4) 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 action 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)

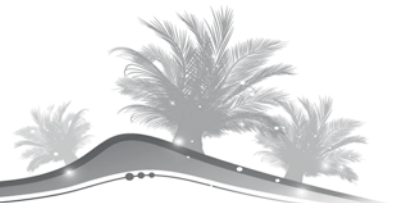
### Other Control Processes

Apart from the risk management and internal audit, the Group has the following control processes in place:

- Monthly visits to key operating units by Board members, Senior Management and external consultants whenever appropriate.
- Organisation structure with clearly defined lines of authority and appropriate levels of delegation.
- Annual budget for each business function and approved by the Board.
- Monthly Management Meeting to discuss on the Group's operational and management issues.
- Review and approval by the Board on all major decisions.
- Monthly submission of appropriate reports covering all divisions and departments within the Group for monitoring of actual performance.
- Communication of policies and procedures to all staff members via circulars and internal memorandums.
- Adequate financial and operational information systems in place to capture and present timely and pertinent internal business information.
- A performance management system was implemented where the employees' competencies are enhanced through continuous training and education programmes.

### BOARD ASSESSMENT

The Board is of the view that the Group's overall risk management and internal control system is operating adequately and effectively, in all material aspects, and has received same assurance from the Executive Chairman and Chief Financial Officer. The Board confirms that the risk management and internal control system has been in place throughout the financial year and up to the date of this statement. The Board is not aware of any material losses incurred during the financial year and up to the date of this statement as a result of weaknesses in internal control.



## ADDITIONAL COMPLIANCE INFORMATION

### 1. Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Company for the financial year ended 31 December 2012 is RM98,200-00.

### 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

There were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders either subsisting at the end of the financial year ended 31 December 2012 or entered into since the previous financial year.

### 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

There was no share buy-back 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 28 February 2013.

### 10. Profit Guarantee

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

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