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

FINANCIAL STATEMENT

ANNUAL REPORT 2012

DIRECTORS' REPORT
For the year ended 31 December 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

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

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

Results

	Group RM	Company RM
Loss for the year attributable to:		
Owners of the Company	(509,244)	(9,490,571)
Non-controlling interests	(3,398,742)	--
	(3,907,986)	(9,490,571)

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid an interim single tier dividend of 1 sen per ordinary share totalling RM1,854,772 in respect of previous financial year ended 31 December 2011 on 13 January 2012.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

Directors of the Company

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

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

DIRECTORS' REPORT
For the year ended 31 December 2012 (Cont'd)

Directors' interests in shares

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

		Number of ordinary shares of RM1.00 each			
Name of Directors	**Interest**	**At 1 January 2012**	**Bought**	**Sold**	**At 31 December 2012**
Company					
Tan Sri Dato' Low Nam Hui	Deemed	129,109,508*1	424,700	(3,479,100)	126,055,108*1
Puan Sri Datin Chan Pui Leorn	Direct	500,000	--	--	500,000
	Deemed	128,609,508*2	424,700	(3,479,100)	125,555,108*2
Mr. Low Quek Kiong	Direct	20,000	--	--	20,000
	Deemed	129,089,508*3	424,700	(3,479,100)	126,035,108*3
Mr. Low Kueck Shin	Deemed	129,109,508*1	424,700	(3,479,100)	126,055,108*1
Mr. Low Kwek Lee	Deemed	129,109,508*1	424,700	(3,479,100)	126,055,108*1
Mr. Low Kuek Kong	Deemed	129,109,508*1	424,700	(3,479,100)	126,055,108*1
Mr. Lee Chon Sing	Direct	50,001	--	--	50,001
Mr. Loh Wann Yuan	Direct	1	--	--	1
Subsidiary					
- Harn Len Pelita Bengunan Sdn. Bhd.					
Tan Sri Dato' Low Nam Hui	Deemed	2,854,083	--	--	2,854,083
Mr. Low Quek Kiong	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kueck Shin	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kwek Lee	Deemed	2,854,083	--	--	2,854,083
Mr. Low Kuek Kong	Deemed	2,854,083	--	--	2,854,083

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

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

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

By virtue of their substantial interests in the shares of the Company, Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Mr. Low Quek Kiong, Mr. Low Kueck Shin, Mr. Low Kwek Lee and Mr. Low Kuek Kong are also deemed interested in the shares of all the wholly-owned subsidiaries of the Company.

DIRECTORS' REPORT
For the year ended 31 December 2012 (Cont'd)

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with the Company and certain subsidiaries in the ordinary course of business as disclosed in Note 30 to the financial statements.

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

Issue of shares

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

Options granted over unissued shares

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

Other statutory information

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

i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT
For the year ended 31 December 2012 (Cont'd)

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

Low Quek Kiong

Low Kueck Shin

Johor Bahru

Date: 25 April 2013

STATEMENT BY DIRECTORS pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 46 to 101 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 on page 102 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Low Quek Kiong

Low Kueck Shin

Johor Bahru

Date: 25 April 2013

STATUTORY DECLARATION pursuant to Section 169(16) of the Companies Act, 1965

I, **Low Quek Kiong**, the Director primarily responsible for the financial management of HARN LEN CORPORATION BHD, do solemnly and sincerely declare that the financial statements set out on pages 46 to 102 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Johor Bahru in the State of Johor on 25 April 2013.

Low Quek Kiong

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

INDEPENDENT AUDITORS' REPORT to the members of Harn Len Corporation Bhd

Report on the Financial Statements

We have audited the financial statements of Harn Len Corporation Bhd, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 101.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT to the members of Harn Len Corporation Bhd

Report on Other Legal and Regulatory Requirements

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

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

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 on page 102 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Wee Beng Chuan
Approval Number: 2677/12/14 (J)
Chartered Accountant

Johor Bahru

Date: 25 April 2013

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Assets					
Property, plant and equipment	3	287,209,213	282,121,189	148,935,132	151,706,320
Biological assets	4	110,357,173	104,150,028	17,338,245	13,829,535
Investment properties	5	13,647,295	13,247,901	3,347,295	2,947,901
Investments in subsidiaries	6	--	--	87,284,029	87,284,029
Goodwill on consolidation	7	7,616,523	7,616,523	--	--
Other receivables	8	--	--	80,253,767	91,384,817
Total non-current assets		418,830,204	407,135,641	337,158,468	347,152,602
Inventories	9	3,765,920	3,701,849	1,027,543	846,718
Trade and other receivables	8	14,107,913	6,916,677	12,016,606	4,082,506
Tax recoverable		2,747,505	2,185,077	2,479,704	2,169,777
Cash and cash equivalents	10	5,018,513	1,850,059	2,452,940	1,175,926
Total current assets		25,639,851	14,653,662	17,976,793	8,274,927
Total assets		444,470,055	421,789,303	355,135,261	355,427,529
Equity					
Share capital		185,477,159	185,477,159	185,477,159	185,477,159
Reserves		68,376,013	68,885,257	54,989,650	64,480,221
Total equity attributable to owners of the Company	11	253,853,172	254,362,416	240,466,809	249,957,380
Non-controlling interests	12	(7,547,899)	(4,149,157)	--	--
Total equity		246,305,273	250,213,259	240,466,809	249,957,380
Liabilities					
Deferred tax liabilities	13	11,603,455	7,095,075	3,239,367	1,529,946
Retirement benefits	14	662,400	744,040	662,400	744,040
Loans and borrowings (secured)	15	85,607,252	75,737,206	17,119,149	11,931,147
Other payables	16	--	--	34,815,036	26,466,711
Total non-current liabilities		97,873,107	83,576,321	55,835,952	40,671,844
Trade and other payables	16	40,639,541	35,831,852	14,147,583	18,895,963
Dividend payable		--	1,854,772	--	1,854,772
Taxation		812	616,732	--	--
Loans and borrowings (secured)	15	59,651,322	49,696,367	44,684,917	44,047,570
Total current liabilities		100,291,675	87,999,723	58,832,500	64,798,305
Total liabilities		198,164,782	171,576,044	114,668,452	105,470,149
Total equity and liabilities		444,470,055	421,789,303	355,135,261	355,427,529

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

STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	17	217,324,941	166,767,067	90,225,906	109,263,328
Cost of goods sold		(171,746,460)	(115,517,133)	(78,955,236)	(72,761,670)
Gross profit	17	45,578,481	51,249,934	11,270,670	36,501,658
Other income		599,142	393,560	224,820	173,707
Administrative expenses		(23,338,348)	(20,038,514)	(16,030,244)	(13,662,829)
Distribution expenses		(11,488,115)	(3,778,155)	(2,127,353)	(2,275,345)
Other expenses		(258,993)	(989,229)	--	--
Results from operating activities		11,092,167	26,837,596	(6,662,107)	20,737,191
Finance income		9,941	7,504	2,864,726	2,890,484
Finance costs	18	(8,440,282)	(6,849,069)	(4,402,687)	(3,929,895)
Net finance costs		(8,430,341)	(6,841,565)	(1,537,961)	(1,039,411)
Profit/(Loss) before tax	19	2,661,826	19,996,031	(8,200,068)	19,697,780
Tax expense	20	(6,569,812)	(8,164,379)	(1,290,503)	(1,436,846)
(Loss)/Profit for the year/ Total comprehensive (expense)/ income for the year		(3,907,986)	11,831,652	(9,490,571)	18,260,934
(Loss)/Profit attributable to:					
Owners of the Company		(509,244)	13,297,973	(9,490,571)	18,260,934
Non-controlling interests		(3,398,742)	(1,466,321)	--	--
(Loss)/Profit for the year/ Total comprehensive (expense)/ income for the year		(3,907,986)	11,831,652	(9,490,571)	18,260,934
Basic (loss)/earnings per ordinary share (sen)	21	(0.3)	7.2		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Note	Attributable to owners of the Company						
		Non-distributable			Distributable			
		Share capital RM	Share premium RM	Capital reserve RM	Retained earnings RM	Total RM	Non -controlling interests RM	Total equity RM
Group								
At 1 January 2011		185,477,159	6,634,854	6,268,000	46,393,973	244,773,986	(2,682,836)	242,091,150
Total comprehensive income for the year		--	--	--	13,297,973	13,297,973	(1,466,321)	11,831,652
Dividends to owners of the Company	22	--	--	--	(3,709,543)	(3,709,543)	--	(3,709,543)
At 31 December 2011		185,477,159	6,634,854	6,268,000	55,982,403	254,362,416	(4,149,157)	250,213,259
Total comprehensive expense for the year		--	--	--	(509,244)	(509,244)	(3,398,742)	(3,907,986)
At 31 December 2012		185,477,159	6,634,854	6,268,000	55,473,159	253,853,172	(7,547,899)	246,305,273

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

		Attributable to owners of the Company				
		Non-distributable			Distributable	
	Note	Share capital RM	Share premium RM	Capital reserve RM	Retained earnings RM	Total equity RM
Company						
At 1 January 2011		185,477,159	6,634,854	6,268,000	37,025,976	235,405,989
Total comprehensive income for the year		--	--	--	18,260,934	18,260,934
Dividends to owners of the Company	22	--	--	--	(3,709,543)	(3,709,543)
At 31 December 2011		185,477,159	6,634,854	6,268,000	51,577,367	249,957,380
Total comprehensive expense for the year		--	--	--	(9,490,571)	(9,490,571)
At 31 December 2012		185,477,159	6,634,854	6,268,000	42,086,796	240,466,809

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

STATEMENTS OF CASH FLOWS
For the year ended 31 December 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash flows from operating activities				
Profit/(Loss) before tax	2,661,826	19,996,031	(8,200,068)	19,697,780
Adjustments for:				
Depreciation and amortisation	15,955,049	13,287,412	5,205,627	4,942,643
Finance costs	8,440,282	6,849,069	4,402,687	3,929,895
Retirement benefits	(81,640)	72,170	(81,640)	72,170
Interest income	(9,941)	(7,504)	(2,864,726)	(2,890,484)
Dividend income	--	--	--	(19,689,380)
Impairment loss on investment properties	48,120	26,467	--	--
Biological assets written off	--	752,564	--	--
Investment properties written off	76,097	--	76,097	--
Gain on disposal of property, plant and equipment	(20,499)	(116,085)	(20,499)	--
Operating profit/(loss) before changes in working capital	27,069,294	40,860,124	(1,482,522)	6,062,624
Changes in inventories	(64,071)	622,270	(180,825)	(34,274)
Changes in trade and other receivables	(7,191,236)	923,362	(7,934,100)	768
Changes in trade and other payables	4,807,689	4,968,356	3,599,945	1,816,369
Cash generated from/(used in) operations	24,621,676	47,374,112	(5,997,502)	7,845,487
Tax (paid)/refunded	(3,239,780)	(6,857,804)	108,991	(1,769,997)
Net cash from/(used in) operating activities	21,381,896	40,516,308	(5,888,511)	6,075,490

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

STATEMENTS OF CASH FLOWS
For the year ended 31 December 2012 (Cont'd)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	23	(15,334,533)	(31,218,859)	(2,024,287)	(809,471)
- biological assets	24	(9,110,555)	(9,639,070)	(2,903,252)	(4,774,818)
- investment properties		(554,577)	(988,467)	(506,457)	(962,000)
Investment in subsidiaries		--	--	--	(6)
Interest received		9,941	7,504	2,864,726	2,890,484
Increase in pledged deposits placed with licensed banks		(10,942)	(7,504)	(10,942)	(7,504)
Proceeds from disposal of property, plant and equipment		20,499	140,600	20,499	--
Repayment from/(Advances to) subsidiaries		--	--	11,131,050	(16,363,770)
Net cash (used in)/from investing activities		(24,980,167)	(41,705,796)	8,571,337	(20,027,085)
Cash flows from financing activities					
Interest paid		(9,660,446)	(8,284,846)	(5,223,331)	(4,582,472)
Dividend received		--	--	--	19,689,380
Dividend paid		(1,854,772)	(1,872,286)	(1,854,772)	(1,872,286)
Payment of finance lease liabilities		(1,412,180)	(1,670,743)	(381,294)	(538,368)
Drawdown of term loans		38,139,336	30,182,039	20,000,000	--
Repayment of term loans		(16,730,588)	(15,938,210)	(12,231,790)	(11,938,210)
Net cash from financing activities		8,481,350	2,415,954	308,813	758,044
Net increase/(decrease) in cash and cash equivalents		4,883,079	1,226,466	2,991,639	(13,193,551)
Cash and cash equivalents at 1 January		(18,210,209)	(19,436,675)	(18,884,342)	(5,690,791)
Cash and cash equivalents at 31 December		(13,327,130)	(18,210,209)	(15,892,703)	(18,884,342)

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

STATEMENTS OF CASH FLOWS
For the year ended 31 December 2012 (Cont'd)

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	4,736,770	1,579,258	2,171,197	905,125
Bank overdraft	(18,063,900)	(19,789,467)	(18,063,900)	(19,789,467)
	(13,327,130)	(18,210,209)	(15,892,703)	(18,884,342)

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements of the Company as at and for the financial years ended 31 December 2012 do not include other entities.

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

These financial statements were authorised for issue by the Board of Directors on 25 April 2013.

1. Basis of preparation

(a) Statement of compliance

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

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (continued)

- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(a) Statement of compliance (continued)

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

The Group's and the Company's financial statements for annual period beginning on 1 January 2014 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRS) issued by MASB and International Financial Reporting Standards (IFRS). As a result, the Group and the Company will not be adopting FRSs, Interpretations and amendments that are effective for annual periods beginning on or after 1 January 2014 and 1 January 2015.

(b) Basis of measurement

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

As at 31 December 2012, the Group and the Company's current liabilities exceeded their current assets by RM74,651,824 (2011: RM73,346,061) and RM40,855,707 (2011: RM56,523,378) respectively. The financial statements of the Group and of the Company continued to be prepared on the going concern basis as it is the intention of the Group and of the Company to continue their operations as going concerns. The going concern status of the Group and of the Company is dependent on the continuous financial support from the Group's bankers, suppliers and plantation contractors and the achievement of future profitable operations.

Without such financial support and the achievement of future profitable operations by the Group and the Company, there is doubt that the Group and the Company will be able to continue as going concerns and, therefore, as appropriate realise their assets and discharge their liabilities in the normal course of business. Consequently, adjustments may be required to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities should the Group and the Company be unable to continue as going concerns. In addition, the Group and the Company may have to provide for further liabilities that may arise.

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

The Directors remained positive on the market outlook for oil palm produce and are confident that the Group will continue to generate positive cash flow from its plantation activities; the Group has therefore principally drawn on short term facilities from its bankers for its capital requirements.

As at 31 December 2012, the Group has undrawn banking facilities of RM17 million for working capital purposes.

The Directors are of the opinion that with the positive market outlook and prices of oil palm produces and the good track records and relationship with banks, these would enhance the Group's ability to renew the current bank loans upon expiry or to convert short term borrowings to long term loans or to secure adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 1(b) - going concern
- Note 7 - valuation of goodwill on consolidation
- Note 13 - recognition of unutilised tax losses and unabsorbed capital allowances
- Note 27 - contingent liabilities

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

(ii) Business combinations

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

(v) Non-controlling interests

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

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

(vi) Transactions eliminated on consolidation

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

(b) Financial instruments

(i) Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(b) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(b) Financial instruments (continued)

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

(d) Available-for-sale financial assets

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

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

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

Financial liabilities

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

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

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

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

(iii) Financial guarantee contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(b) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(c) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Leasehold land is amortised in equal instalments over the period of the respective leases which range from sixty-six (66) to ninety-seven (97) years.

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

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

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

(d) Biological assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(d) Biological assets (continued)

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

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

(e) Investment property

(i) Investment property carried at cost

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

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

Freehold land is not depreciated.

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

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

(ii) Reclassification to/from investment property

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

(iii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(e) Investment property (continued)

(iii) Determination of fair value (continued)

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

(f) Leased assets

(i) Finance lease

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

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

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

(ii) Operating leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(g) Intangible assets

(i) Goodwill

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

(ii) Amortisation

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

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

(h) Impairment

(i) Financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(h) Impairment (continued)

(ii) Other assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(i) Inventories

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

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

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

(j) Cash and cash equivalents

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

(k) Affiliated company

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

(l) Contingent liabilities

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

(m) Income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(m) Income tax (continued)

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

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

(n) Revenue and other income

(i) Goods sold

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

(ii) Services rendered

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

(iii) Rental income

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

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

(iv) Dividend income

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

(v) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(o) Borrowing costs

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

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

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

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

(p) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

The Group's contribution to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Retirement benefits

The hotel division of the Group made a provision for retirement benefits for eligible employees of the division. The division sets aside provision for retirement benefits based on the basic salary of each eligible employee at the end of each financial year of service over the employees' period of employment.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(q) Earnings per ordinary share

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

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

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

(r) Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Property, plant and equipment

	Land and buildings RM	Roads and bridges RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Construction -in -progress RM	Total RM
Group						
At cost						
At 1 January 2011	240,013,307	18,618,165	14,126,851	21,338,910	15,151,668	309,248,901
Additions	5,538,920	1,420,781	201,573	2,233,134	23,863,676	33,258,084
Disposals	--	(12,600)	--	(360,000)	--	(372,600)
Transfer	49,500	--	--	--	(49,500)	--
At 31 December 2011/ 1 January 2012	245,601,727	20,026,346	14,328,424	23,212,044	38,965,844	342,134,385
Additions	5,956,458	499,918	3,448,098	3,029,059	4,504,550	17,438,083
Disposals	--	--	--	(100,207)	--	(100,207)
Transfer	16,162,275	--	22,613,728	83,820	(38,859,823)	--
At 31 December 2012	267,720,460	20,526,264	40,390,250	26,224,716	4,610,571	359,472,261
Accumulated depreciation						
At 1 January 2011	23,922,274	8,740,150	6,521,797	11,330,794	--	50,515,015
Depreciation charge	3,628,451	1,860,980	1,423,363	2,933,472	--	9,846,266
Disposals	--	(420)	--	(347,665)	--	(348,085)
At 31 December 2011/ 1 January 2012	27,550,725	10,600,710	7,945,160	13,916,601	--	60,013,196
Depreciation charge	4,305,817	1,933,584	3,074,489	3,036,169	--	12,350,059
Disposals	--	--	--	(100,207)	--	(100,207)
At 31 December 2012	31,856,542	12,534,294	11,019,649	16,852,563	--	72,263,048
Carrying amounts						
At 31 December 2012	235,863,918	7,991,970	29,370,601	9,372,153	4,610,571	287,209,213
At 31 December 2011	218,051,002	9,425,636	6,033,569	9,645,138	38,965,844	282,121,189

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Property, plant and equipment (continued)

	Land and buildings RM	Road and bridges RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Construction -in -progress RM	Total RM
Company						
At cost						
At 1 January 2011	159,930,800	541,800	13,160,979	11,807,797	--	185,441,376
Additions	353,841	--	145,405	350,225	--	849,471
At 31 December 2011/ 1 January 2012	160,284,641	541,800	13,306,384	12,158,022	--	186,290,847
Additions	56,879	--	221,110	766,298	1,144,000	2,188,287
Disposal	--	--	--	(100,207)	--	(100,207)
At 31 December 2012	160,341,520	541,800	13,527,494	12,824,113	1,144,000	188,378,927
Accumulated depreciation						
At 1 January 2011	16,928,083	76,926	6,273,472	6,375,360	--	29,653,841
Depreciation charge	2,323,250	54,216	1,324,556	1,228,664	--	4,930,686
At 31 December 2011/ 1 January 2012	19,251,333	131,142	7,598,028	7,604,024	--	34,584,527
Depreciation charge	2,335,940	54,216	1,337,957	1,231,362	--	4,959,475
Disposal	--	--	--	(100,207)	--	(100,207)
At 31 December 2012	21,587,273	185,358	8,935,985	8,735,179	--	39,443,795
Carrying amounts						
At 31 December 2012	138,754,247	356,442	4,591,509	4,088,934	1,144,000	148,935,132
At 31 December 2011	141,033,308	410,658	5,708,356	4,553,998	--	151,706,320

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Carrying amounts of land and buildings				
Freehold land	20,770,000	20,770,000	20,770,000	20,770,000
Long term leasehold land	148,171,968	150,586,013	77,894,401	79,140,277
Buildings	66,921,950	46,694,989	40,089,846	41,123,031
	235,863,918	218,051,002	138,754,247	141,033,308

As at the year end, the title to a leasehold land of a subsidiary involved in a joint venture plantation with a carrying amount of RM2,299,124 (2011: RM2,338,760) has yet to be issued by the relevant authority to the said subsidiary (Note 4 and 27).

Security

Land and buildings of the Group and of the Company with a carrying amount of RM166,928,352 (2011: RM168,415,499) and RM136,187,751 (2011: RM138,358,227) respectively are charged to banks as security for banking facilities granted to the Company and a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Property, plant and equipment (continued)

Leased motor vehicles

Included in the property, plant and equipment of the Group and of the Company are motor vehicles acquired under lease financing with carrying amount of RM3,551,561 (2011: RM4,199,736) and RM323,051 (2011: RM1,045,513) respectively. The leased motor vehicles secured lease obligation as stated in Note 15.

Others

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

	Group	
	2012 RM	**2011 RM**
Income statements	11,761,188	9,393,597
Biological assets	588,871	452,669
	12,350,059	9,846,266

Included in property, plant and equipment of the Group is finance cost capitalised of RM549,550 (2011: RM891,225).

4. Biological assets

	Plantation development expenditure - oil palm RM	**Plantation development expenditure - teak tree RM**	**Total RM**
Group			
At cost			
At 1 January 2011	110,696,269	768,165	111,464,434
Additions	10,636,291	--	10,636,291
Written off	--	(752,564)	(752,564)
At 31 December 2011/1 January 2012	121,332,560	15,601	121,348,161
Additions	10,370,040	--	10,370,040
At 31 December 2012	131,702,600	15,601	131,718,201
Accumulated amortisation			
At 1 January 2011	13,316,275	--	13,316,275
Amortisation charge	3,881,858	--	3,881,858
At 31 December 2011/1 January 2012	17,198,133	--	17,198,133
Amortisation charge	4,162,895	--	4,162,895
At 31 December 2012	21,361,028	--	21,361,028
Carrying amounts			
At 31 December 2012	110,341,572	15,601	110,357,173
At 31 December 2011	104,134,427	15,601	104,150,028

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Biological assets (continued)

	Plantation development expenditure - oil palm RM
Company	
At cost	
At 1 January 2011	8,402,140
Additions	5,427,395
At 31 December 2011/1 January 2012	13,829,535
Additions	3,723,896
At 31 December 2012	17,553,431
Accumulated amortisation	
At 1 January 2011	--
Charge for the year	--
At 31 December 2011/1 January 2012	--
Charge for the year	215,186
At 31 December 2012	215,186
Carrying amounts	
At 31 December 2012	17,338,245
At 31 December 2011	13,829,535

The biological assets of the Group and of the Company with carrying amount of RM28,037,625 (2011: RM25,215,510) and RM17,338,245 (2011: RM13,829,535) respectively are charged to a bank as security for banking facilities granted to the Company and a subsidiary.

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Finance costs	670,614	544,552	820,644	652,577
Depreciation and amortisation (see Note 3)	588,871	452,669	--	--
Personnel expenses (including key management personnel)				
- Wages, salaries and others	153,856	211,751	4,823	18,160

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

As at the year end, the title to the leasehold land of the subsidiary has yet to be issued by the relevant authority to the said subsidiary (Note 3 and 27).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. Investment properties

	Land and building RM	Property development expenditure RM	Total RM
Group			
At cost			
At 1 January 2011	12,300,000	1,605,222	13,905,222
Additions	962,000	26,467	988,467
At 31 December 2011/1 January 2012	13,262,000	1,631,689	14,893,689
Additions	506,457	48,120	554,577
Written off	(82,455)	--	(82,455)
At 31 December 2012	13,686,002	1,679,809	15,365,811
Accumulated amortisation			
At 1 January 2011	2,142	--	2,142
Amortisation charge	11,957	--	11,957
At 31 December 2011/1 January 2012	14,099	--	14,099
Amortisation charge	30,966	--	30,966
Written off	(6,358)	--	(6,358)
At 31 December 2012	38,707	--	38,707
Accumulated impairment losses			
At 1 January 2011	--	1,605,222	1,605,222
Impairment losses	--	26,467	26,467
At 31 December 2011/1 January 2012	--	1,631,689	1,631,689
Impairment losses	--	48,120	48,120
At 31 December 2012	--	1,679,809	1,679,809
Carrying amount			
At 31 December 2012	13,647,295	--	13,647,295
At 31 December 2011	13,247,901	--	13,247,901

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. Investment properties (continued)

	Land and building RM
Company	
At cost	
At 1 January 2011	2,000,000
Addition	962,000
At 31 December 2011/1 January 2012	2,962,000
Addition	506,457
Write off	(82,455)
At 31 December 2012	3,386,002
Accumulated amortisation	
At 1 January 2011	2,142
Amortisation charge	11,957
At 31 December 2011/1 January 2012	14,099
Amortisation charge	30,966
Write off	(6,358)
At 31 December 2012	38,707
Carrying amount	
At 31 December 2012	3,347,295
At 31 December 2011	2,947,901

Included in the above are:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At cost				
Freehold land	12,526,128	12,526,128	2,226,128	2,226,128
Buildings	1,121,167	721,773	1,121,167	721,773
	13,647,295	13,247,901	3,347,295	2,947,901

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Rental income	37,419	53,116	17,720	34,348
Direct operating expenses:				
- income generating investment properties	47,931	48,881	4,111	7,461
- non-income generating investment properties	30,239	15,894	30,239	15,894

The investment properties comprise vacant land and six units of shophouses that are leased to third parties.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. Investment properties (continued)

The fair value of the investment properties of the Group and of the Company as at 31 December 2012 are RM16,832,000 (2011: RM15,493,779) and RM5,300,000 (2011: RM3,263,779) respectively. The fair value is determined by independent professional qualified valuer using open market value method.

6. Investments in subsidiaries

	Company	
	2012 **RM**	**2011** **RM**
Unquoted shares, at cost	87,284,029	87,284,029

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

Name of company	***Principal activities***	***Effective ownership interest 2012 %***	***2011 %***
Uniglobal Sdn. Bhd.*	Cultivation of oil palm	100	100
Masranti Plantation Sdn. Bhd.	Cultivation of oil palm and operation of palm oil mill	100	100
Premium Dragon Sdn. Bhd.	Investment holding	100	100
Nusantara Daya Sdn. Bhd.	Investment property	100	100
Gemilang Bumimas Sdn. Bhd.	Cultivation of oil palm	100	100
Harn Len Realty (Serian) Sdn. Bhd.	Property investment	100	100
Han Yin Development Sdn. Bhd. (formerly known as Harn Len Plantation Development Sdn. Bhd.)	Dormant	100	100
Harn Len Trading Sdn. Bhd.	Dormant	100	100
Zhangxern Corporation Sdn. Bhd.	Dormant	100	100
Sinar Majestic Sdn. Bhd.	Dormant	100	100
Golden Majestic Sdn. Bhd.	Dormant	100	100
Subsidiary of Premium Dragon Sdn. Bhd.			
Harn Len Pelita Bengunan Sdn. Bhd.@	Cultivation of oil palm	60	60
Subsidiary of Zhangxern Corporation Sdn. Bhd.			
Harn Len Chang Zheng (HK) Limited# (Incorporated in Hong Kong)	Dormant	100	--

* The entire issued and paid-up share capital of this subsidiary with a cost of RM50,000,000 has been charged to a bank as security to obtain bank overdraft and term loan facilities of the Company and a subsidiary.

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

\# Management account was used for the preparation of consolidated financial statements. In the opinion of the Directors, the results and the financial position as at 31 December 2012 of this subsidiary was not material to the consolidated financial statements. The Company is in the process of deregistrating this subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. Goodwill on consolidation

	Group 2012 RM	Group 2011 RM
Carrying amounts	7,616,523	7,616,523

Impairment testing for cash-generating units containing goodwill

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

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

	Group 2012 RM	Group 2011 RM
Masranti Plantation Sdn. Bhd.	5,794,799	5,794,799
Uniglobal Sdn. Bhd.	1,821,724	1,821,724
	7,616,523	7,616,523

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

- Cash flows were projected based on a 10 years forecast and projections.
- Production yield is projected based on industry growth rate.
- Commodity price is projected based on current market price and remains constant throughout the projected period.
- Expenses were projected at annual increase of approximately 2% per annum.
- A pre-tax discount rate of 7.5% (2011: 7.1%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's existing rate of borrowing.

The value assigned to the key assumptions represents management's assessment of future trends in the industry.

Based on the management assessment, the estimated cash flow generated by Masranti Plantation Sdn. Bhd. and Uniglobal Sdn. Bhd. are significantly higher than the carrying amount of the respective goodwill. Management considers that no impairment is required.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. Trade and other receivables

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Non-current				
Due from subsidiaries				
- Non-trade	--	--	80,253,767	91,384,817
Current				
Trade receivables	11,707,665	5,686,201	8,425,901	2,158,544
Other receivables, deposits and prepayments	2,381,324	1,230,476	1,567,798	199,119
Due from subsidiaries				
- Non-trade	--	--	2,022,907	1,724,843
Due from an affiliated company				
- Trade	18,924	--	--	--
	14,107,913	6,916,677	12,016,606	4,082,506
	14,107,913	6,916,677	92,270,373	95,467,323

The non-trade amounts due from subsidiaries are in respect of advances made which are unsecured and subject to interest at 3.5% (2011: 3.5%) per annum. The non-current amounts due from subsidiaries have no fixed terms of repayment and are not expected to be repaid within the next twelve months.

9. Inventories

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Agricultural produce	728,792	527,485	524,178	527,485
Consumables and spares	1,169,233	1,154,515	503,365	319,233
Nursery	1,867,895	2,019,849	--	--
	3,765,920	3,701,849	1,027,543	846,718

10. Cash and cash equivalents

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash and bank balances	4,736,770	1,579,258	2,171,197	905,125
Deposits placed with licensed banks	281,743	270,801	281,743	270,801
	5,018,513	1,850,059	2,452,940	1,175,926

The deposits of the Group and of the Company of RM281,743 (2011: RM270,801) are pledged to licensed banks as security for bank guarantee facilities granted to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. Capital and reserves

Share capital

	Group/Company 2012 RM	Group/Company 2011 RM	Group/Company Number of ordinary shares 2012	Group/Company Number of ordinary shares 2011
Ordinary shares of RM1.00 each:				
Authorised	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid	185,477,159	185,477,159	185,477,159	185,477,159

Reserves

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Distributable				
Retained earnings	55,473,159	55,982,403	42,086,796	51,577,367
Non-distributable				
Share premium	6,634,854	6,634,854	6,634,854	6,634,854
Capital reserve	6,268,000	6,268,000	6,268,000	6,268,000
	68,376,013	68,885,257	54,989,650	64,480,221

The Company has adopted the single tier company income tax system pursuant to Finance Act, 2007.

Capital reserve

On 18 July 2003, the Company issued RM44,310,095 1.5% five (5) years 2003/2008 Redeemable Convertible Secured Loan Stocks (RCSLS) at nominal value of RM1.00 each. Upon early redemption of the RCSLS in 2005, the equity component of the RCSLS was transferred to capital reserves.

12. Non-controlling interests

Group

The losses applicable to the non-controlling interest in a subsidiary, Harn Len Pelita Bengunan Sdn. Bhd. exceeded their interest in the equity of that subsidiary. The Directors of the Company are of the opinion that this deficit is temporary as it is the intention of the said subsidiary to progressively increase its paid-up share capital to RM24,000,000 and the non-controlling shareholder of the said subsidiary, being the joint venture partner of the development, has undertake to subscribe for 40% of the increased paid-up share capital i.e. RM9,600,000 in accordance with the Joint Venture Agreement dated 3 September 2004 (see Note 3 and 4).

13. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Property, plant and equipment				
- capital allowances	14,108,777	11,411,223	4,620,461	3,655,319
- fair value adjustment	7,330,141	7,462,665	--	--
Provision	(176,225)	(270,414)	(176,225)	(258,756)
Unabsorbed capital allowances	(3,965,257)	(6,672,339)	(236,869)	(1,866,617)
Unutilised tax losses	(5,693,981)	(4,836,060)	(968,000)	--
	11,603,455	7,095,075	3,239,367	1,529,946

Movement in temporary difference during the year are as follows:

Group	At 1 January 2012 RM	Recognised in profit or loss (Note 20) RM	At 31 December 2012 RM
Property, plant and equipment			
- capital allowances	11,411,223	2,697,554	14,108,777
- fair value adjustment	7,462,665	(132,524)	7,330,141
Provision	(270,414)	94,189	(176,225)
Unabsorbed capital allowances	(6,672,339)	2,707,082	(3,965,257)
Unutilised tax losses	(4,836,060)	(857,921)	(5,693,981)
	7,095,075	4,508,380	11,603,455
Company			
Property, plant and equipment			
- capital allowances	3,655,319	965,142	4,620,461
Provision	(258,756)	82,531	(176,225)
Unabsorbed capital allowances	(1,866,617)	1,629,748	(236,869)
Unutilised tax losses	--	(968,000)	(968,000)
	1,529,946	1,709,421	3,239,367

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. Deferred tax assets and liabilities (continued)

Movement in temporary difference during the year are as follows: (continued)

Group	At 1 January 2011 RM	Recognised in profit or loss (Note 20) RM	At 31 December 2011 RM
Property, plant and equipment			
- capital allowances	10,764,336	646,887	11,411,223
- fair value adjustment	7,595,462	(132,797)	7,462,665
Provision	(202,774)	(67,640)	(270,414)
Unabsorbed capital allowances	(9,301,928)	2,629,589	(6,672,339)
Unutilised tax losses	(4,726,000)	(110,060)	(4,836,060)
	4,129,096	2,965,979	7,095,075

Company			
Property, plant and equipment			
- capital allowances	2,333,986	1,321,333	3,655,319
Provision	(192,361)	(66,395)	(258,756)
Unabsorbed capital allowances	(1,626,928)	(239,689)	(1,866,617)
	514,697	1,015,249	1,529,946

Unrecognised deferred tax assets

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Property, plant and equipment				
- capital allowances	46,995	39,416	3,239	--
Unutilised tax losses	(35,703)	(32,062)	--	--
Unabsorbed capital allowances	(43,068)	(25,881)	(8,479)	--
	(31,776)	(18,527)	(5,240)	--

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

14. Retirement benefits

	Group/Company	
	2012 RM	2011 RM
At 1 January	744,040	671,870
(Reversal)/Provision made during the year	(81,640)	72,170
At 31 December	662,400	744,040

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. Loans and borrowings (secured)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Non-current				
Finance lease liabilities	1,436,482	1,210,247	132,149	35,357
Term loans	84,170,770	74,526,959	16,987,000	11,895,790
	85,607,252	75,737,206	17,119,149	11,931,147
Current				
Finance lease liabilities	1,153,990	1,238,405	55,017	369,103
Term loans	40,433,432	28,668,495	26,566,000	23,889,000
Bank overdrafts	18,063,900	19,789,467	18,063,900	19,789,467
	59,651,322	49,696,367	44,684,917	44,047,570
	145,258,574	125,433,573	61,804,066	55,978,717

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2012 Future minimum lease payments RM	2012 Interest RM	2012 Present value of minimum lease payments RM	2011 Future minimum lease payments RM	2011 Interest RM	2011 Present value of minimum lease payments RM
Group						
Less than one year	1,295,032	141,042	1,153,990	1,360,057	121,652	1,238,405
Between one and five years	1,529,442	92,960	1,436,482	1,283,996	73,749	1,210,247
	2,824,474	234,002	2,590,472	2,644,053	195,401	2,448,652
Company						
Less than one year	62,610	7,593	55,017	379,812	10,709	369,103
Between one and five years	142,586	10,437	132,149	36,826	1,469	35,357
	205,196	18,030	187,166	416,638	12,178	404,460

Security

The term loans and bank overdrafts are secured by fixed charges over certain land and buildings and biological assets of the Group and the entire issued and paid-up capital of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. Loans and borrowings (secured) (continued)

Significant covenants

a. The Group, Company and subsidiaries are required to maintain various ratios during the tenure of credit facilities.

   i) gearing ratio (ranging lower than 0.75 to 2.0); and
   ii) interest cover ratio (higher than 3.0)

b. The Group net tangible worth shall not be less than RM200,000,000.

c. The Company shall not without the banks' prior written consent, incur or assume additional indebtedness or guarantee any indebtedness (except in the ordinary course of business), alter the present ownership structure and extend loans and advances to the Directors of the Company.

d. The properties shall be valued by a professional valuer at least once every two years or such times as may be decided by the banks.

16. Trade and other payables

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Non-current				
Due to a subsidiary				
- Non-trade	--	--	34,815,036	26,466,711
Current				
Trade payables	17,341,447	8,797,869	8,121,447	5,777,618
Other payables and accrued expenses	22,631,242	18,572,661	4,772,705	4,081,774
Due to a subsidiary				
- Non-trade	--	--	590,977	586,620
Due to affiliated companies				
- Trade	662,454	8,449,951	662,454	8,449,951
- Non-trade	4,398	11,371	--	--
	666,852	8,461,322	662,454	8,449,951
	40,639,541	35,831,852	14,147,583	18,895,963
	40,639,541	35,831,852	48,962,619	45,362,674

The non-trade amounts due to subsidiaries and affiliated companies are in respect of advances or payment on behalf, which are unsecured and have no fixed terms of repayment.

Interest is charged at 3.5% (2011: 3.5%) per annum on non-trade amounts due to subsidiaries.

Included in other payables and accrued expenses of the Group is an amount of RM8,152,108 (2011: RM9,244,000) owing to contractors for plantation work performed and construction of oil mill.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17. Revenue/Gross profit

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Revenue				
- Plantations	209,465,453	158,866,651	82,366,418	81,673,532
- Property and hotel	7,859,488	7,900,416	7,859,488	7,900,416
- Dividend income from a subsidiary	--	--	--	19,689,380
	217,324,941	166,767,067	90,225,906	109,263,328
Cost of sales of agricultural produces	162,658,960	107,099,669	70,329,214	64,344,206
Cost of services	9,087,500	8,417,464	8,626,022	8,417,464
	171,746,460	115,517,133	78,955,236	72,761,670
Gross profit	45,578,481	51,249,934	11,270,670	36,501,658

18. Finance costs

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expenses	9,660,446	8,284,846	5,223,331	4,582,472
Less: Finance cost capitalised	(1,220,164)	(1,435,777)	(820,644)	(652,577)
	8,440,282	6,849,069	4,402,687	3,929,895

19. Profit/(Loss) before tax

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(Loss) before tax is arrived at after charging/ (crediting)				
Auditors remuneration				
- Audit fees				
Company's auditors	178,000	163,000	78,000	71,000
- Non-audit fees				
Local affiliates of KPMG Malaysia	43,200	32,700	21,000	15,000
KPMG Malaysia	55,000	52,000	55,000	52,000
Bad debts written off	53,320	1,087	53,320	1,087
Biological assets written off	--	752,564	--	--
Depreciation and amortisation	15,955,049	13,287,412	5,205,627	4,942,643
(Reversal of)/Impairment loss:				
- investment property	48,120	26,467	--	--
- trade receivables	(11,324)	(43,770)	(11,324)	(43,770)
Personnel expenses (including key management personnel)				
- Contributions to state plans	1,631,330	1,465,297	1,167,326	1,085,439
- Wages, salaries and others	17,718,495	15,741,306	13,608,722	12,415,435
Retirement benefits	(81,640)	72,170	(81,640)	72,170
Gain on disposal of property, plant and equipment	(20,499)	(116,085)	(20,499)	--
Investment properties written off	76,097	--	76,097	--
Palm oil seedlings written off	1,316,168	1,352,340	--	--

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. Profit/(Loss) before tax (continued)

Staff costs are allocated as follows:

	Group		Company	
	2012 **RM**	**2011** **RM**	**2012** **RM**	**2011** **RM**
Wages, salaries and others (including Directors' remuneration)				
- statement of comprehensive income	17,718,495	15,741,306	13,608,722	12,415,435
- plantation development expenditure	148,527	211,751	4,823	18,160
	17,867,022	15,953,057	13,613,545	12,433,595

Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2012 **RM**	**2011** **RM**	**2012** **RM**	**2011** **RM**
Directors				
- Fees	145,800	145,800	135,000	135,000
- Remuneration	5,213,162	4,843,612	4,195,508	3,838,838
Total short-term employee benefits	5,358,962	4,989,412	4,330,508	3,973,838
Other key management personnel:				
- Short term employee benefits	2,394,328	1,891,410	1,575,236	1,272,498
	7,753,290	6,880,822	5,905,744	5,246,336

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

The estimated monetary value of Directors' benefit-in-kind for the Group/Company is RM161,265 (2011: RM178,103).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20. Tax expense

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Current tax expense				
- Current year	2,533,150	5,303,982	30,000	500,000
- Prior year	(471,718)	(105,582)	(448,918)	(78,403)
	2,061,432	5,198,400	(418,918)	421,597
Deferred tax expense				
- Origination and reversal of temporary differences	4,739,511	3,159,152	1,463,114	1,016,489
- Prior year	(231,131)	(193,173)	246,307	(1,240)
	4,508,380	2,965,979	1,709,421	1,015,249
	6,569,812	8,164,379	1,290,503	1,436,846
	RM'000	**RM'000**	**RM'000**	**RM'000**
Reconciliation of tax expense				
Profit/(Loss) before tax	2,662	19,996	(8,200)	19,698
Income tax calculated using Malaysian tax rate of 25%	666	4,999	(2,050)	4,925
Non-deductible expenses	3,197	1,908	2,234	1,514
Non-taxable income	--	--	--	(4,922)
Unrecognised deferred tax	3,410	1,556	1,310	--
	7,273	8,463	1,494	1,517
Over provided in prior year	(703)	(299)	(203)	(80)
Tax expense	6,570	8,164	1,291	1,437

21. (Loss)/Earnings per ordinary share

Group

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

The calculation of basic (loss)/earnings per ordinary share at 31 December 2012 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2012 RM	**2011 RM**
(Loss)/Profit for the year attributable to owners	(509,244)	13,297,973

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. (Loss)/Earnings per ordinary share (continued)

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

Weighted average number of ordinary shares are determined as follows:

	2012	2011
Weighted average number of ordinary shares at 31 December	185,477,159	185,477,159
Basic (loss)/earnings per ordinary share (sen)	(0.3)	7.2

(b) Diluted (loss)/earnings per ordinary share

There are no dilutive potential ordinary shares.

22. Dividends

Dividends recognised by the Company were:

	Sen per share	Total amount RM	Date of payment
2011			
2011 - Interim, single tier	1.0	1,854,772	13 January 2012
2010 - Final, single tier	1.0	1,854,771	12 July 2011
		3,709,543	

23. Acquisition of property, plant and equipment

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current year's acquisition of plant and equipment	17,438,083	33,258,084	2,188,287	849,471
Less: Acquisition by lease financing	(1,554,000)	(1,148,000)	(164,000)	(40,000)
Finance cost capitalised	(549,550)	(891,225)	--	--
	15,334,533	31,218,859	2,024,287	809,471

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Acquisition of biological assets

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current year's acquisition of biological assets	10,370,040	10,636,291	3,723,896	5,427,395
Less: Non fund items capitalised:				
- Depreciation and amortisation	(588,871)	(452,669)	--	--
- Finance costs	(670,614)	(544,552)	(820,644)	(652,577)
	9,110,555	9,639,070	2,903,252	4,774,818

25. Operating segments

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

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

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

Segment assets

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

Segment liabilities

Segment liabilities information is also included in the internal management reports provided to the Group's Executive Chairman.

Segment capital expenditure

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. Operating segments (continued)

Group

	Plantation		Property and hotel		Total	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Segment profit/(loss)	39,431	49,290	(1,074)	250	38,357	49,540
Included in the measure of segment profit are:						
Revenue from external customers	209,466	158,867	7,859	7,900	217,325	166,767
Reversal of impairment loss on trade receivables	--	--	11	44	11	44
Bad debts written off	--	--	(53)	(1)	(53)	(1)
Not included in the measure of segment profit but provided to Executive Chairman:						
Depreciation	(13,704)	(11,050)	(1,783)	(1,733)	(15,487)	(12,783)
Finance costs	(7,175)	(6,065)	(191)	(138)	(7,366)	(6,203)
Finance income	956	786	--	--	956	786
Income tax expense	(6,567)	(7,149)	--	--	(6,567)	(7,149)
Segment assets	356,640	336,191	80,548	81,792	437,188	417,983
Included in the measure of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	24,549	41,566	916	1,241	25,465	42,807
Segment liabilities	(127,187)	(107,028)	(2,516)	(2,552)	(129,703)	(109,580)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. Operating segments (continued)

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

	2012 RM'000	2011 RM'000
Profit or loss		
Total profit or loss for reportable segments	38,357	49,540
Depreciation and amortisation	(15,955)	(13,287)
Finance costs	(8,440)	(6,849)
Finance income	10	8
Unallocated expenses	(11,310)	(9,416)
Consolidated profit before tax	2,662	19,996

2012	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000
Total reportable segments	217,325	(15,487)	(7,366)	956	437,188	25,465	(129,703)
Unallocated amount	--	(468)	(1,074)	(946)	7,282	1,088	(68,462)
Consolidated total	217,325	(15,955)	(8,440)	10	444,470	26,553	(198,165)
2011							
Total reportable segments	166,767	(12,783)	(6,203)	786	417,983	42,807	(109,580)
Unallocated amount	--	(504)	(646)	(778)	3,806	187	(61,996)
Consolidated total	166,767	(13,287)	(6,849)	8	421,789	42,994	(171,576)

Major customers

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

	Revenue 2012 RM'000	Revenue 2011 RM'000	Segment
Customer - A	82,550	69,744	Plantation
Customer - B	9,863	30,473	Plantation
Customer - C	92,182	--	Plantation

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26. Capital and other commitments

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Capital expenditure commitments				
Property, plant and equipment				
Contracted but not provided for	19,992,230	4,310,619	18,323,500	--
Authorised but not contracted for	17,984,526	7,633,551	4,956,276	1,492,386
Biological assets				
Authorised but not contracted for	17,157,542	3,707,558	5,285,000	--
	55,134,298	15,651,728	28,564,776	1,492,386

27. Contingent liabilities

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unsecured				
i) Corporate guarantees given to:				
- financial institution in respect of outstanding banking facilities of subsidiaries	--	--	82,425	68,837
ii) Subsidiary involving in joint venture plantation				
- leasehold land, road and bridges	8,835	9,377	--	--
- biological assets	39,906	36,779	--	--
	48,741	46,156	82,425	68,837

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

As at year end, the subsidiary has been served with two Writ of Summon with Statement of Claim for alleged trespassing on parcels of the planted leasehold land.

The Directors are of the opinion that no liabilities are required to be accrued in the financial statements for the two claims as the outcome is uncertain pending the hearing of the cases in court scheduled to be held in June and October 2013.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27. Contingent liabilities (continued)

Secured

Company

The land and buildings of the Company amounting to RM136,187,751 (2011: RM138,358,227) are charged to banks as security for banking facilities granted to a subsidiary.

28. Financial instruments

28.1 Categories of financial statements

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

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gains/(losses) on:				
Loans and receivables	10	8	2,865	2,891
Financial liabilities measured at amortised cost	(8,440)	(6,849)	(4,403)	(3,930)
	(8,430)	(6,841)	(1,538)	(1,039)

28.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

28.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial instruments (continued)

28.4 Credit risk (continued)

Exposure to credit risk, credit quality and collateral

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

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

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2012			
Not past due	11,626	(15)	11,611
Past due 0 - 30 days	98	(6)	92
Past due 31 - 60 days	10	(7)	3
Past due more than 60 days	17	(15)	2
	11,751	(43)	11,708
Company			
2012			
Not past due	8,401	(15)	8,386
Past due 0 - 30 days	41	(6)	35
Past due 31 - 60 days	10	(7)	3
Past due more than 60 days	17	(15)	2
	8,469	(43)	8,426

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2011			
Not past due	5,584	(7)	5,577
Past due 0 - 30 days	104	(5)	99
Past due 31 - 60 days	14	(6)	8
Past due more than 60 days	38	(36)	2
	5,740	(54)	5,686

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial instruments (continued)

28.4 Credit risk (continued)

Company	**Gross RM'000**	**Individual impairment RM'000**	**Net RM'000**
2011			
Not past due	2,072	(7)	2,065
Past due 0 - 30 days	88	(5)	83
Past due 31 - 60 days	14	(6)	8
Past due more than 60 days	38	(36)	2
	2,212	(54)	2,158

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

	Group/Company 2012 RM'000	**2011 RM'000**
At 1 January	54	98
Impairment loss recognised	49	15
Impairment loss reversed	(60)	(59)
At 31 December	43	54

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM82,424,699 (2011: RM68,836,958) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial instruments (continued)

28.4 Credit risk (continued)

Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

28.5 Liquidity risk

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

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

Maturity analysis

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

Group 2012	**Carrying amount RM'000**	**Contractual interest rate %**	**Contractual cash flows RM'000**	**Under 1 year RM'000**	**1 - 2 years RM'000**	**2 - 5 years RM'000**	**Over 5 years RM'000**
Non-derivative financial liabilities							
Bank overdrafts (secured)	18,064	6.48	18,064	18,064	--	--	--
Finance lease liabilities (secured)	2,590	3.86	2,824	1,295	943	586	--
Term loans (secured)	124,604	6.00 - 7.11	148,675	47,404	22,202	50,243	28,826
Trade and other payables	40,640	--	40,640	40,640	--	--	--
	185,898		210,203	107,403	23,145	50,829	28,826

Company 2012	**Carrying amount RM'000**	**Contractual interest rate %**	**Contractual cash flows RM'000**	**Under 1 year RM'000**	**1 - 2 years RM'000**	**2 - 5 years RM'000**	**Over 5 years RM'000**
Non-derivative financial liabilities							
Bank overdrafts (secured)	18,064	6.48	18,064	18,064	--	--	--
Finance lease liabilities (secured)	187	4.30	205	63	48	94	--
Term loans (secured)	43,553	6.00-7.43	46,546	27,976	8,555	10,015	--
Trade and other payables	14,148	--	14,148	14,148	--	--	--
	75,952		78,963	60,251	8,603	10,109	--

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial instruments (continued)

28.5 Liquidity risk (continued)

Group 2011	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Non-derivative financial liabilities							
Bank overdrafts (secured)	19,789	7.54	19,789	19,789	--	--	--
Finance lease liabilities (secured)	2,449	3.51	2,644	1,360	786	498	--
Term loans (secured)	103,195	5.94 - 7.12	121,918	34,464	27,202	41,881	18,371
Trade and other payables	35,832	--	35,832	35,832	--	--	--
	161,265		180,183	91,445	27,988	42,379	18,371

Company 2011	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Non-derivative financial liabilities							
Bank overdrafts (secured)	19,789	7.54	19,789	19,789	--	--	--
Finance lease liabilities (secured)	404	2.65	417	380	26	11	--
Term loans (secured)	35,785	5.94 - 7.34	37,623	25,047	8,104	4,472	--
Trade and other payables	18,896	--	18,896	18,896	--	--	--
	74,874		76,725	64,112	8,130	4,483	--

28.6 Market risk

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

Interest rate risk

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

Exposure to interest rate risk

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed rate instruments				
Financial assets	282	271	82,558	93,380
Financial liabilities	(42,775)	(32,061)	(75,778)	(57,070)
	(42,493)	(31,790)	6,780	36,310
Floating rate instruments				
Financial liabilities	(102,483)	(93,373)	(21,432)	(25,962)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial instruments (continued)

28.6 Market risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
	100 bp increase RM'000	**100 bp decrease RM'000**
Group		
2012		
Floating rate instruments	(769)	769
Company		
2012		
Floating rate instruments	(161)	161
Group		
2011		
Floating rate instruments	(700)	700
Company		
2011		
Floating rate instruments	(195)	195

28.7 Fair value of financial instruments

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

The carrying amount of the variable term loan, being floating rate term loans, would approximate its fair values as its effective interest rate changes accordingly to movements in the market interest rate.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial instruments (continued)

28.7 Fair value of financial instruments (continued)

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2012		2011	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Group				
Retirement benefit	(662)	(662)	(744)	(744)
Fixed rate term loan	(40,185)	(39,110)	(29,612)	(28,977)
Finance lease liabilities	(2,590)	(2,590)	(2,449)	(2,449)
Company				
Retirement benefit	(662)	(662)	(744)	(744)
Fixed rate term loan	(40,185)	(39,110)	(29,612)	(28,977)
Finance lease liabilities	(187)	(187)	(404)	(404)
Due from subsidiaries	82,277	82,277	93,110	93,110
Due to subsidiaries	(35,406)	(35,406)	(27,053)	(27,053)

The following summarises the methods used in determining the fair values of financial instruments reflected in the above table.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2012 %	**2011** %
Term loan	6.00 - 7.11	5.94 - 7.12
Financial leases	3.86	3.51
Due from/(to) subsidiaries	3.50	3.50

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. As a plantation and property owner, the Group has significant long term assets which it uses as security for its banking facilities. In view of the prevailing positive market outlook and prices for oil palm produce and the positive cash flow generated from its plantation activities; the Group has principally drawn on short term facilities from its bankers for its capital requirements. The Directors are of the opinion that barring any significant changes to the prevailing plantation produce prices, the Group will be able to fulfill its cash flow requirements when due. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain the Group's debt-to-equity ratio at the range of 0.5 : 1. The debt-to-equity ratios at 31 December 2012 and at 31 December 2011 were as follows:

	Group	
	2012 RM'000	**2011 RM'000**
Total borrowings (Note 15)	145,259	125,434
Less: Cash and cash equivalents (Note 10)	(5,019)	(1,850)
	140,240	123,584
Total equity	246,305	250,213
Debt-to-equity-ratios	0.60	0.49

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is also required to maintain debt-to-equity ratios ranging from 0.75 to 2.00 to comply with the bank covenants of its bank borrowings, failing which, the bank may call an event of default.

30. Related parties

Identity of related parties

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30. Related parties (continued)

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

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

Significant related party transactions

The significant related party transactions of the Company are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
A. Subsidiaries				
- Interest income	--	--	2,854,784	2,882,980
- Interest expense	--	--	969,565	800,193
B. Affiliated companies				
- Management fees receivable	60,000	38,160	60,000	38,160
- Sales	333,180	370,968	333,180	370,968
- Sales of seedlings	122,445	223,200	--	--
- Rental receivable	39,168	39,168	39,168	39,168
- Purchase of air tickets	165,340	156,120	38,434	56,080
- Purchases	22,964,562	29,912,581	22,964,562	29,912,581
- Transport charges payable	917,194	974,945	917,194	974,945
- Transport charges receivable	326,234	469,841	326,234	469,841
- Insurance	442,397	347,235	256,286	255,082
- Hotel accommodation	--	2,308	--	2,308
- Company trip	2,150	164,423	--	137,798
- Hiring of heavy machinery	175,045	--	175,045	--
Remuneration paid to staff who are close family member of certain Directors, Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Mr. Low Quek Kiong, Mr. Low Kueck Shin, Mr. Low Kwek Lee and Mr. Low Kuek Kong	1,426,928	1,042,513	1,405,232	1,042,513

31. Subsequent events

On 31 January 2013, the Company had entered into an agreement with a Director to acquire seven pieces of land for a total consideration of RM10,680,000.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	20,238	18,972	45,326	53,107
- unrealised	(8,952)	(4,407)	(3,239)	(1,530)
	11,286	14,565	42,087	51,577
Add: Consolidation adjustments	44,187	41,417	--	--
Total retained earnings	55,473	55,982	42,087	51,577

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

GROUP CORPORATE STRUCTURE
As At 31 December 2012

Harn Len Corporation Bhd
(502606-H)
(Principal Activities: Operations of Oil Palm Plantations, Oil Milling Operations, Investment Holding, Property Investment & Hotel Operations)

100%
Uniglobal Sdn Bhd
(206333-V)
Principal Activity:
Plantation Operations

100%
Masranti Plantation Sdn Bhd
(530036-X)
Principal Activity:
Plantation & Oil Milling Operations

100%
Nusantara Daya Sdn Bhd
(185882-X)
Principal Activity:
Property Investment

100%
Gemilang Bumimas Sdn Bhd
(808539-P)
Principal Activity:
Plantation Operations

100%
Harn Len Realty (Serian) Sdn Bhd
(711091-K)
Principal Activity:
Property Development & Investment

100%
Harn Len Trading Sdn Bhd
(656554-M)
Principal Activity:
Dormant

100%
Sinar Majestic Sdn Bhd
(957553-H)
Principal Activity:
Dormant

100%
Golden Majestic Sdn Bhd
(957576-V)
Principal Activity:
Dormant

100%
Premium Dragon Sdn Bhd
(643228-K)
Principal Activity:
Investment Holding

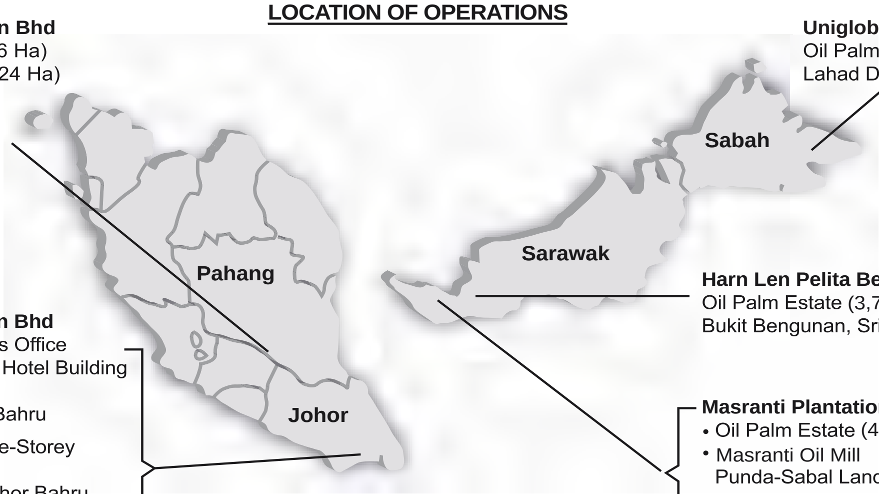
100%
Han Yin Development Sdn Bhd
(Formerly known as Harn Len Plantation Development Sdn Bhd)
(629928-U)
Principal Activity:
Dormant

100%
Zhangxern Corporation Sdn Bhd
(713043-P)
Principal Activity:
Investment Holding

60%
Harn Len Pelita Bengunan Sdn Bhd
(671658-K)
Principal Activity:
Plantation Operations

100%
Harn Len Chang Zheng (Hong Kong) Limited
(1732083)
Principal Activity:
Dormant

LOCATION OF OPERATIONS



Harn Len Corporation Bhd
- Senang Estate (2,116 Ha)
- Lian Hup Estate (2,124 Ha)
- Lian Hup Oil Mill
  All in Keratong

Uniglobal Sdn Bhd
Oil Palm Estate (2,410 Ha)
Lahad Datu

Harn Len Pelita Bengunan Sdn Bhd
Oil Palm Estate (3,749 Ha)
Bukit Bengunan, Sri Aman Division

Harn Len Corporation Bhd
- Corporate & Business Office
  25-storey Office cum Hotel Building (Tropical Inn)
  Jalan Gereja, Johor Bahru
- Six (6) units of Double-Storey Terrace Shophouses
  Jalan Ngee Heng, Johor Bahru

Nusantara Daya Sdn Bhd
HS(D) 443014, PTB 21949,
Township & District of Johor Bahru
Vacant Land (48,058 sq ft)

Masranti Plantation Sdn Bhd
- Oil Palm Estate (4,995 Ha)
- Masranti Oil Mill
  Punda-Sabal Land, Samarahan Division

Gemilang Bumimas Sdn Bhd
Oil Palm Estate (925 Ha)
Bukar-Sadong Land, Samarahan Division

Harn Len Realty (Serian) Sdn Bhd
Vacant land (298 Ha)
Bukar-Sadong Land, Samarahan Division

LIST OF PROPERTIES OF THE GROUP

Registered owner/ Location	Tenure	Area	Year of Expiry (For leasehold)	Description/ Existing Use	Net Book Value RM `000	Age of Building (years)	Date of Acquisition
1. Harn Len							
i) Lot 1782, Geran 27393 Township & District of Johor Bahru, Johor Darul Takzim	Freehold	40,293 sq. ft	Freehold	Office & hotel building	58,293	35	18.07.2003
ii) Lian Hup Estate - Lot PT 166, 259 - Lot PT 313 - Lot PT 345 - Lot PT 510, 521, 522 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur	Leasehold	2,124.46 Hectares ("ha")	2070 2072 2074 2079	Oil Palm Plantation & Palm oil mill	38,190	N/A	18.07.2003
Estate Buildings Factory Workshop					1,003 603	4-36 1-35	
iii) Senang Estate - Lot PT 163, 164, 165, 255 - Lot PT 314 - Lot PT 448, 449, 450, 451 - Lot PT 515 All in Mukim of Keratong, District of Rompin, Pahang Darul Makmur	Leasehold	2,116.31 ("ha")	2070 2072 2078 2079	Oil Palm Plantation	39,704	N/A	18.07.2003
Estate Buildings					961	1-35	
iv) Double-Storey Terrace Shophouses - Lot 2046 Grn 32250) - Lot 2048 Grn 99923) - Lot 2049 Grn 99924) - Lot 2050 Grn 51476) - Lot 2051 Grn 99925)	Freehold	1707 sq ft 1617 sq ft 1613 sq ft 1655 sq ft 1706 sq ft	Freehold	Shophouses	2,412	77	15.10.2010
- Lot 2047 Grn 99922		1634 sq ft	Freehold	Shophouse	935	77	13.04.2011
All in Bandar Johor Bahru, District of Johor Bahru, Johor							
2. Uniglobal Sdn Bhd							
Uniglobal Estate - CL 115345401 - CL 115378115 District of Lahad Datu, Sabah	Leasehold	2,023 ha 386.80 ha	2077 2084	Oil palm Plantation	28,255	N/A	18.07.2003
Estate Buildings					2,486	1-14	

LIST OF PROPERTIES OF THE GROUP (Cont'd)

Registered owner/ Location	Tenure	Area	Year of Expiry (For leasehold)	Description/ Existing Use	Net Book Value RM `000	Age of Building (years)	Date of Acquisition
3. Masranti Plantation Sdn Bhd							
Lot No 25, Block 2 TRN.: 08-LCLS-024-002-00025 Punda-Sabal Land District of Samarahan Division Sarawak	Leasehold	4,469.47 ha	2061	Oil palm Plantation	21,299	N/A	15.01.2004
Lot No. 38, Block 8 TRN.: 08-LCPLS-024-008-00038 Punda-Sabal Land District of Samarahan Division Sarawak	Provisional Lease	525 ha	2070	Oil palm Plantation	4,161	N/A	08.09.2011
Estate Buildings					4,381	1-8	
Factory Buildings					18,182	1	
4. Nusantara Daya Sdn Bhd Lot No. PTB 21949 H.S.(D) 443014 Bandar Johor Bahru, District of Johor Bahru, Johor	Freehold	48,058 sq. ft	Freehold	Vacant Land	10,300	N/A	28.11.2006
5. Harn Len Pelita Bengunan							
Estate Buildings					1,784	1-6	
Kara Rangua Engkaramut Bukit Bengunan, Sri Aman Division Sarawak	Leasehold	1982 Ha NCR Land	60 Years	Oil palm Plantation	2,299		23.08.2010
6. Gemilang Bumimas Sdn Bhd							
- Lot No 1513 TRN.: 08-LCPLS-018-000-01513 - Lot No 1514 TRN.: 08-LCPLS-018-000-01514 All in Bukar-Sadong Land District of Samarahan Division Sarawak	Provisional Lease	925 Ha	20.01.2068	Oil palm Plantation	10,631	N/A	31.05.2010
7. Harn Len Realty (Serian) Sdn Bhd							
- Lot No 1515 TRN.: 08-LCPLS-018-000-01515 All in Bukar-Sadong Land District of Samarahan Division Sarawak	Provisional Lease	298 Ha	20.01.2068	Vacant land	3,632	N/A	18.08.2011
					249,511		

N/A – Not Applicable
NCR – Native Customary Rights

ANALYSIS OF SHAREHOLDINGS
As At 30 April 2013

AUTHORISED SHARE CAPITAL	:	RM500,000,000 ordinary shares of RM1-00 each
ISSUED AND FULLY PAID-UP CAPITAL	:	RM185,477,159 divided into 185,477,159 shares
CLASS OF SHARES	:	Ordinary shares of RM1-00 each
NO OF SHAREHOLDERS	:	2,733
VOTING RIGHTS	:	One vote per ordinary share

A) LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	Direct		Deemed Interest in Shares	
		No. of Shares	%	No. of Shares	%
1.	Tan Sri Dato' Low Nam Hui	4,264,333	2.30	121,449,875*1	65.48
2.	Puan Sri Datin Chan Pui Leorn	500,000	0.27	125,214,208*2	67.51
3.	Dato Liew Kuek Hin	-	-	114,507,245*3	61.74
4.	Low Quek Kiong	20,000	0.01	125,694,208*4	67.77
5.	Low Kueck Shin	-	-	125,714,208*5	67.78
6.	Low Kwek Lee	-	-	125,714,208*5	67.78
7.	Low Kuek Kong	-	-	125,714,208*5	67.78
8.	Low Kuit Son	-	-	125,714,208*5	67.78
9.	Low Kok Yong	330,000	0.18	125,384,208*6	67.60
10.	Low Kok Yaow	-	-	125,714,208*5	67.78
11.	Low Siew Eng	200,800	0.11	125,513,408*7	67.67
12.	LNH Enterprise Sdn Bhd	43,988,896	23.72	3,517,030*8	1.90
13.	Low Nam Hui United Holdings Sdn Bhd	46,286,679	24.96	-	-
14.	Low Nam Hui & Sons Sdn Bhd	11,571,670	6.24	-	-
15.	LNH (C&E) Sdn Bhd	-	-	11,571,670*9	6.24
16.	Shande Ancestral Park Berhad	10,000,000	5.39	-	-

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 Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.*

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

**3. Deemed interested in the shares held by Lian Hup Manufacturing Company Sdn Berhad, Syarikat Senang Oil Palm Estate Sdn Bhd, Perdana Properties Berhad, LNHSB, LNH Enterprise and SCSB and the shares held by his siblings, Low Quek Kiong and Low Kok Yong pursuant to Section 6A of the Act. The status of some of Dato' Liew's indirect shareholdings in Harn Len are the subject of a legal action vide Johor Bahru High Court Suit No. MT4-JB23NCVC-8-01-2013.*

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

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

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

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

**8. Deemed interested in the shares held by Seri Cemerlang Plantation (Pahang) Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

**9. Deemed interested in the shares held by Low Nam Hui & Sons Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

ANALYSIS OF SHAREHOLDINGS
As At 30 April 2013 (Cont'd)

B) LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct		Deemed Interest in Shares	
		No. of Shares	%	No. of Shares	%
1.	Tan Sri Dato' Low Nam Hui	4,264,333	2.30	121,449,875*1	65.48
2.	Puan Sri Datin Chan Pui Leorn	500,000	0.27	125,214,208*2	67.51
3.	Low Quek Kiong	20,000	0.01	125,694,208*3	67.77
4.	Low Kueck Shin	-	-	125,714,208*4	67.78
5.	Low Kwek Lee	-	-	125,714,208*4	67.78
6.	Low Kuek Kong	-	-	125,714,208*4	67.78
7.	Loh Wann Yuan	1	0.00	-	-
8.	Lee Chon Sing	1	0.00	-	-
9.	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	-	-	-
10.	Law Piang Woon	-	-	-	-

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 Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.*

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

*3. *Deemed interested in the shares held by 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 Kok Yong and Low Siew Eng pursuant to Section 6A of the Companies Act, 1965.*

*4. *Deemed interested in the shares held by Low Nam Hui United Holdings Sdn Bhd, Low Nam Hui & Sons Sdn Bhd, LNH Enterprise Sdn Bhd, Seri Cemerlang Plantation (Pahang) Sdn Bhd, Yong Yaow Properties Sdn Bhd and Shande Ancestral Park Berhad and the shares held by his immediate family members 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.*

C) DISTRIBUTION OF SHAREHOLDINGS

	No. of Holders	Holdings	Total Holdings	Percentage (%)
	47	Less than 100	1,406	0.00
	1,063	100 to 1,000	287,162	0.15
	1,133	1,001 to 10,000	5,706,505	3.08
	426	10,001 to 100,000	13,753,699	7.42
	60	100,001 to less than 5% of issued shares	53,881,142	29.05
	4	5% and above of issued shares	111,847,245	60.30
Total:	2,733		185,477,159	100.00

ANALYSIS OF SHAREHOLDINGS
As At 30 April 2013 (Cont'd)

D) TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Shares Held	Percentage (%)
1.	LOW NAM HUI UNITED HOLDINGS SDN BHD	46,286,679	24.96
2.	LNH ENTERPRISE SDN. BHD.	43,988,896	23.72
3.	LOW NAM HUI & SONS SDN. BHD.	11,571,670	6.24
4.	SHANDE ANCESTRAL PARK BERHAD	10,000,000	5.39
5.	HSBC NOMINEES (ASING) SDN BHD Exempt An for HSBC Private Bank (Suisse) S.A. (Spore TST AC CL)	8,264,000	4.46
6.	HLIB NOMINEES (TEMPATAN) SDN BHD Hong Leong Bank Bhd for Chuan Hong Hang Sdn Berhad	6,063,800	3.27
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD Law Kiu Kiong	5,508,000	2.97
8.	YONG YAOW PROPERTIES SDN. BHD.	5,034,800	2.71
9.	LAW KIONG HOLDINGS SDN. BHD.	4,693,700	2.53
10.	LOW NAM HUI	4,264,333	2.30
11.	TOH EAN HAI	2,315,000	1.25
12.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	2,047,030	1.10
13.	HLIB NOMINEES (TEMPATAN) SDN BHD Hong Leong Bank Bhd for Chuan Hong Hang Properties Sdn Bhd	1,900,000	1.02
14.	SERI CEMERLANG PLANTATION (PAHANG) SDN BHD	1,470,000	0.79
15.	TA NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Chor Sek Choon	1,000,000	0.54
16.	DYNAQUEST SDN. BERHAD	814,100	0.44
17.	BDO CAPITAL CONSULTANTS SDN BHD Exempt An	531,193	0.29
18.	CHAN PUI LEORN	500,000	0.27
19.	CHIN HON PUN	479,200	0.26
20.	LOH LAI KIM	454,900	0.25
21.	GAN HONG LIANG	400,000	0.22
22.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Koay Ean Chim (IMO/TAS)	397,000	0.21
23.	CHIN KIAN FONG	338,000	0.18
24.	LOW KOK YONG	330,000	0.18
25.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ng Ching Soong (470478)	328,100	0.18
26.	KOH KIN TONG	315,000	0.17
27.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Lu Lip Lai (731389)	315,000	0.17
28.	TAY CHEE KIEN	307,600	0.17
29.	YATEE & SONS SDN BHD	277,000	0.15
30.	AMSEC NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Ng Ching Soong	269,000	0.15

FORM OF PROXY

I/We ________________________________ [NRIC No: ______________]
of ________________________________ being a member/members of HARN LEN CORPORATION BHD (Co. No. 502606-H) do hereby appoint ________________________________ [NRIC No: ______________]
of ________________________________ or failing him ________________________________ [NRIC No: ______________]
of ________________________________ as *my/our proxy to attend and to vote for *me/us on *my/our behalf at the Thirteenth (13th) Annual General Meeting of the Company to be held on Wednesday, the 19th day of June, 2013 at 11.00 am at Meranti Hall, 4th Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru and at any adjournment thereof. *My/our proxy is to vote as indicated below:-

Resolution No.		FOR	AGAINST
Ordinary Business:-			
1.	Approval of Directors' Fees		
2.	Re-election of Director - Mr Loh Wann Yuan		
3.	Re-election of Director - Mr Low Kwek Lee		
4.	Re-appointment of Director - Tan Sri Dato' Low Nam Hui		
5.	Re-appointment of Director - Brig.Jen. (B) Dato' Ali Bin Hj. Musa		
6.	Re-appointment of Director - Mr Law Piang Woon		
7.	Re-appointment of Director - Mr Lee Chon Sing		
8.	Re-appointment of Messrs KPMG as Auditors		
Special Business:-			
9.	Continuing in office as Independent Non-Executive Director - Mr Loh Wann Yuan		
10.	Continuing in office as Independent Non-Executive Director - Brig.Jen. (B) Dato' Ali Bin Hj. Musa		
11.	Continuing in office as Independent Non-Executive Director - Mr Law Piang Woon		
12.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
13.	Proposed Renewal of Shareholders' Mandate - Seri Cemerlang Plantation (Pahang) Sdn. Bhd.		
14.	Proposed Renewal of Shareholders' Mandate - Pengangkutan Low Nam Hui Sdn. Bhd.		
15.	Proposed Renewal of Shareholders' Mandate - Low Nam Hui & Sons Sdn. Bhd.		
16.	Proposed Renewal of Shareholders' Mandate - KangHui Travel Sdn. Bhd.		
17.	Proposed New Shareholders' Mandate - Advance Pinnacle Sdn. Bhd.		
18.	Proposed New Shareholders' Mandate - LNH Enterprise Sdn. Bhd.		
19.	Proposed New Shareholders' Mandate - Tanaim Sdn. Bhd.		
20.	Proposed New Shareholders' Mandate - One63 Ideas Sdn. Bhd.		
21.	Proposed Amendments to the Articles of Association		

(Please indicate with a cross (X) in the spaces whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.)

Number of shares held	

____
Signature of Member / Members

Dated this ________ day of ______________ 2013

Notes:-

1. *Only members registered in the Record of Depositors as at 11 June 2013 are eligible to attend the Company's 13th 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, 6th Floor, Johor Tower, 15, Jalan Gereja, 80100 Johor Bahru, Johor not less than 48 hours before the time set for the Meeting.*

FOLD HERE

STAMP

The Company Secretary
Harn Len Corporation Bhd (502606-H)
6th Floor, Johor Tower
15 Jalan Gereja
80100 Johor Bahru

FOLD HERE

汉联机构有限公司
HARN LEN CORPORATION BHD
(502606-H)
6th Floor Johor Tower, 15 Jalan Gereja
80100 Johor Bahru, Johor, Malaysia
Tel: (607) 222 1777 Fax: (607) 224 9213