

**HARN LEN CORPORATION BHD (502606-H)**

 Financial Year End : 31 December 2017  
 Quarter : First Quarter

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2017**

	RM	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current quarter	Preceding year	Current year	Preceding year
		31/3/2017	corresponding quarter 31/3/2016	to date 31/3/2017	corresponding period 31/3/2016
<b>Revenue</b>		57,662,084	43,211,917	57,662,084	43,211,917
Cost of sales		(42,799,140)	(38,927,570)	(42,799,140)	(38,927,570)
<b>Gross profit</b>		14,862,944	4,284,347	14,862,944	4,284,347
Other income		280,257	66,337	280,257	66,337
Distribution expenses		(4,352,350)	(3,337,789)	(4,352,350)	(3,337,789)
Administrative expenses		(7,079,911)	(6,070,995)	(7,079,911)	(6,070,995)
Depreciation and amortisation		(5,044,503)	(4,860,009)	(5,044,503)	(4,860,009)
Other expenses		(352,874)	-	(352,874)	-
<b>Results from operating activities</b>		(1,686,437)	(9,918,109)	(1,686,437)	(9,918,109)
Finance costs		(1,418,383)	(1,117,019)	(1,418,383)	(1,117,019)
Interest income		2,321	2,427	2,321	2,427
Profit before tax		(3,102,499)	(11,032,701)	(3,102,499)	(11,032,701)
Income tax expense		(106,000)	1,580,812	(106,000)	1,580,812
<b>Profit/total comprehensive income/(loss) for the period</b>		(3,208,499)	(9,451,889)	(3,208,499)	(9,451,889)
<b>Profit/(loss) attributable to ;</b>					
Owners of the Company		(3,611,283)	(8,575,265)	(3,611,283)	(8,575,265)
Non-controlling interests		402,784	(876,624)	402,784	(876,624)
Profit/ (loss ) for the period		(3,208,499)	(9,451,889)	(3,208,499)	(9,451,889)
<b>Total comprehensive profit/(loss) attributable to:-</b>					
Owners of the company		(3,611,283)	(8,575,265)	(3,611,283)	(8,575,265)
Non controlling interest		402,784	(876,624)	402,784	(876,624)
Total comprehensive profit/(loss) for the period		(3,208,499)	(9,451,889)	(3,208,499)	(9,451,889)
<b>Earnings/(loss) per share attributable to owners of the Company</b>					
Basic earnings/(loss) per share(sen)		(2.01)	(4.63)	(2.01)	(4.63)
Weighted average number of shares		179,936,159	185,401,159	179,936,276	185,401,159

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements. Note: The Minority shareholders have a binding obligation to absorb the loss and have the ability to make good or absorb the losses incurred as provided in the Joint Venture Agreement.

HARN LEN CORPORATION BHD (502606-H)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	<u>As at 31/3/2017</u> (Unaudited)	<u>As at 31/12/2016</u> (Audited)
	<u>RM</u>	<u>RM</u>
<b><u>Assets</u></b>		
Property, plant and equipment	254,118,681	269,978,440
Biological assets	156,781,383	151,650,474
Investment property	39,290,325	39,474,264
Deferred tax assets	5,013,354	4,253,354
Goodwill	5,794,799	5,794,799
<b>Total non-current assets</b>	<u>460,998,542</u>	<u>471,151,331</u>
Inventories	7,255,614	7,414,030
Trade and other receivables	31,155,364	14,205,638
Prepayments and other assets	852,403	912,514
Cash and cash equivalents	3,942,643	3,474,684
<b>Total current assets</b>	<u>43,206,024</u>	<u>26,006,866</u>
<b>Total assets</b>	<u><b>504,204,566</b></u>	<u><b>497,158,197</b></u>
<b><u>Equity</u></b>		
Share capital	185,477,159	185,477,159
Share premium	6,634,854	6,634,854
Reserves	122,304,937	125,916,220
Treasury shares	(5,045,199)	(5,044,265)
<b>Total equity attributable to owners of the company</b>	<u>309,371,751</u>	<u>312,983,968</u>
Non-controlling interests	(9,904,761)	(10,307,545)
<b>Total equity</b>	<u>299,466,990</u>	<u>302,676,423</u>
<b><u>Liabilities</u></b>		
Long term borrowings	44,736,867	45,501,094
Hire purchase creditors	2,947,817	3,873,106
Deferred tax liabilities	20,920,000	20,854,000
Employees benefits	848,000	848,000
Deferred payables	17,262,796	17,014,998
<b>Total non-current liabilities</b>	<u>86,715,480</u>	<u>88,091,198</u>
Short term borrowings	48,092,206	42,901,506
Trade and other payables	66,307,618	59,889,057
Hire purchase creditors	3,559,336	3,599,376
Taxation	62,936	637
Dividends payable		
<b>Total current liabilities</b>	<u>118,022,096</u>	<u>106,390,576</u>
<b>Total liabilities</b>	<u>204,737,576</u>	<u>194,481,774</u>
<b>Total equity and liabilities</b>	<u><b>504,204,566</b></u>	<u><b>497,158,197</b></u>
	0	0
Net assets per share (sen)	166.80	168.75

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HARN LEN CORPORATION BHD (502606-H)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR-TO-DATE ENDED  
31 MARCH 2017

	<u>31/3/2017</u> RM	<u>31/3/2016</u> RM
<b><u>Cash flow from operating activities</u></b>		
Profit/ (loss) before tax	(3,102,499)	(11,032,701)
<u>Adjustments for:-</u>		
Depreciation	5,044,503	4,860,009
Finance costs	1,418,383	1,117,019
Gains from disposal of fixed assets	-	-
Bad debts written off	74,107	-
Interest received	(2,321)	(2,427)
Loss from sale of investment	352,877	-
Operating profit before changes in working capital	<u>3,785,050</u>	<u>(5,058,100)</u>
<b><u>(Increase)/ Decrease in working capital</u></b>		
Change in inventories	158,416	581,101
Change in trade debtors and other receivables	(3,349,726)	(12,417,356)
Change in trade creditors and other payables	7,438,439	7,118,598
<b>Cash(used in)/ generated from operations</b>	<u>8,032,179</u>	<u>(9,775,757)</u>
Income tax (paid) /refund	(677,590)	(434,390)
Finance expenses paid	<u>(1,418,383)</u>	<u>(1,117,032)</u>
<b><u>Net cash(used in)/ generated from operating activities</u></b>	<u>5,936,206</u>	<u>(11,327,179)</u>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(2,370,450)	(866,733)
Purchase of investment property	(276,000)	(239,000)
Purchase of biological assets	(6,302,421)	(4,688,998)
Proceeds from disposal of fixed assets	-	-
Interest received	2,321	2,427
Increase in fixed deposit	<u>(2,321)</u>	<u>(2,427)</u>
<b>Net cash (used in)/ generated from investing activities</b>	<u>(8,948,871)</u>	<u>(5,794,731)</u>
<b><u>Financing activities</u></b>		
Treasury shares	(934)	(68,832)
Repayment of loans and borrowings	(170,299)	(72,102)
Payment of finance lease liabilities	(965,327)	(902,232)
Dividends paid to owners of Company	-	-
Drawdown of term loan	-	5,240,074
Net utilisation of bank overdraft	<u>4,614,861</u>	<u>4,428,804</u>
<b>Net cash generated from/(used in) financing activities</b>	<u>3,478,301</u>	<u>8,625,712</u>
Net increase/(decrease) in cash and cash equivalents	465,636	(8,496,198)
Cash and cash equivalents at beginning of period	3,116,168	10,101,384
Cash and cash equivalents at end of period	<u>3,581,804</u>	<u>1,605,186</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR-TO-DATE ENDED 31 MARCH 2017**

	<u>Share Capital RM</u>	<u>Share Premium RM</u>	<u>Capital Reserves RM</u>	<u>Retained Profit/(loss) RM</u>	<u>Treasury Shares RM</u>	<u>Total</u> <u>RM</u>	<u>Non-controlling interests RM</u>	<u>Total Equity RM</u>
<b>As at 1 January 2017</b>	185,477,159	6,634,854	6,268,000	119,648,220	(5,044,265)	312,983,968	(10,307,545)	302,676,423
Total comprehensive income/ (loss) for the period				(3,611,283)		(3,611,283)	402,784	(3,208,499)
Treasury shares					(934)			(934)
<b>As at 31 March 2017</b>	<u>185,477,159</u>	<u>6,634,854</u>	<u>6,268,000</u>	<u>116,036,937</u>	<u>(5,045,199)</u>	<u>309,371,751</u>	<u>(9,904,761)</u>	<u>299,466,990</u>
<b>As at 1 January 2016</b>	185,477,159	6,634,854	6,268,000	127,988,051	(944)	326,367,120	(13,764,989)	312,602,131
Total comprehensive income / (loss) for the period				(8,575,265)		(8,575,265)	(876,624)	(9,451,889)
Treasury shares					(68,832)			(68,832)
<b>As at 31 March 2016</b>	<u>185,477,159</u>	<u>6,634,854</u>	<u>6,268,000</u>	<u>119,412,786</u>	<u>(69,776)</u>	<u>317,723,023</u>	<u>(14,641,613)</u>	<u>303,081,410</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying notes attached to the interim financial statements.

Part A2-SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	<u>31/3/2017</u>	<u>31/3/2016</u>	<u>31/3/2017</u>	<u>31/3/2016</u>
	RM 000's	RM 000's	RM 000's	RM 000's
1 Revenue	57,662	43,212	57,662	43,212
2 Profit/(Loss) before taxation	(3,102)	(11,033)	(3,102)	(11,033)
3 Profit/(Loss) for the period	(3,208)	(9,452)	(3,208)	(9,452)
4 Profit/(Loss) attributable to ordinary equity holders of the parent	(3,611)	(8,575)	(3,611)	(8,575)
5 EPS-Basic (sen)	(2.01)	(4.63)	(2.01)	(4.63)
6 Proposed/ Declared Dividend per share (sen)	-	-	-	-

AS AT END OF  
CURRENT QUARTER  
(UNAUDITED)  
31/3/2017  
RM

AS AT END OF  
FINANCIAL YEAR END  
(AUDITED)  
31/12/2016  
RM

7 Net assets per share attributable to ordinary shareholders of the parent	1.67	1.69
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Remarks: Note 7-Net assets per share attributable to ordinary shareholders of the parent is calculated based on issued and fully paid-up 185,477,159 ordinary shares.

Part A3-ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	<u>31/3/2017</u>	<u>31/3/2016</u>	<u>31/3/2017</u>	<u>31/3/2016</u>
	RM 000's	RM 000's	RM 000's	RM 000's
1 Gross interest income	2	2	2	2
2 Gross interest expenses	(1,418)	(1,117)	(1,418)	(1,117)

Note: The explanatory notes should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes to the interim financial statements.

**HARN LEN CORPORATION BHD (“Harn Len” or “the Company”) (502606-H)**

**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.**

**PART A: EXPLANATORY NOTES AS PER FRS 134**

**A1 Basis of preparation**

The Group and the Company are Transitioning Entities and are within the exemption scope of MFRS 141: Agriculture and will defer the adoption of MFRS to 1 January 2018 (Note A2-Significant Accounting Policies). Accordingly, this unaudited condensed interim financial report for the first quarter for the year ending 31 December 2017 has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), including compliance with Financial Reporting Standard FRS 134, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB).

The unaudited condensed interim financial report has been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 December 2016.

**A2 Significant Accounting Policies**

The accounting policies adopted by Group in this interim financial statement are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2016. The following FRSs’, Interpretations and Amendments are adopted, where applicable for the year beginning 1 January 2017.

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

- FRS 14, Regulatory Deferral Accounts
- Amendments to FRS 10, FRS 12 and FRS 128, Investment Entities: Applying the Consolidation Exception
- Amendments to FRS 11, Accounting for Acquisitions of Interests in Joint Operation
- Amendments to FRS 101, Disclosure Initiative
- Amendments to FRS 127, Equity Method in Separate Financial Statements
- Amendments to FRS 116 and FRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRSs, Annual Improvements to FRSs 2012-2014 cycles

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2017.

- Amendments to FRS 112, Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 107, Disclosure Initiative

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2018.

- FRS 9, Financial Instruments (2014)

## **HARN LEN CORPORATION BHD (“Harn Len” or “the Company”) (502606-H)**

### **EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.**

- Amendments to FRS 2, Classification and Measurement of Share based Payment Transactions
- Amendments to FRS 4, Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to FRS 140, Transfer of Investment Property
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to FRSS, Annual Improvements to FRSS 2014-2016 Cycle

FRSS, Interpretations and Amendments effective from a date yet to be confirmed

- Amendments to FRS 10 and FRS 128, Sale of Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial years when the above standards, amendments and interpretation 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 period financial statements upon their first adoption. The other standards, amendments, interpretations and improvements are either not applicable or are not expected to have any material impact on the financial statements of the Group and the Company.

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

The Group and the Company are currently assessing the impact of the adoption of MFRS 141, including identification of the differences in existing accounting policies as compared to the new framework. The assessment is still on-going. Thus the impact of adopting MFRS 141 cannot be determined and estimated reliably until the process in completed.

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

#### **A3 Seasonal or cyclical factors**

Harn Len is principally involved in the oil palm plantation business. The production of Fresh Fruit Bunches (“FFB”) from its oil palm estates is seasonal in nature, with production being low at the beginning of the year and picking up thereafter and tapering off towards the year end.

The production of FFB can also be affected by climatic factors, maturity of the trees, crop stress and the frequency of fertilizing the oil palm trees.

The hotel and property have steady business throughout the year and are not affected by seasonal or cyclical factors.

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**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.**

**A4 Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows for the period under review.

**A5 Material changes in estimates**

There were no material changes in estimates in the prior financial year which have a material effect in the financial period to 31 December 2017.

**A6 Debt and equity securities**

The Company bought-back the following shares during the period under review.

Date	No. of shares	Amount paid (RM)
24 February 2017	1,000	934
Total	1,000	934

The total shares bought-back and held as treasury shares to-date is 5,541,000.

Other than the aforementioned, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the period under review.

**A7 Dividend paid**

The Company did not pay any dividend for the period under review.

**A8 Operating segments**

Segmental information is presented in respect of the Group’s business segments. The Group operates solely in Malaysia and accordingly, information on geographical location of the Group’s operation is not presented.

**Business segments.**

Segment activities are as follows:

Plantations : The operation of oil palm estates, oil palm mill, sales and purchases of FFB, sales and trading of CPO and PK and the provision of plantation development contract services to related parties and external customers.

Property/Hotel : Property investment and hotel operation.

Segmental results, assets and liabilities include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest



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**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.**

earning assets and revenue, interest bearing loans, borrowings and expenses and corporate assets and liabilities.

**Segment information**

**Period ended 31 March 2017**

	<u>Plantations</u>	<u>Property</u>	<u>Corporate Head office</u>	<u>Eliminations</u>	<u>Consolidation</u>
	<u>RM</u>	<u>RM</u>		<u>RM</u>	<u>RM</u>
External revenue	56,027,744	1,634,340			57,662,084
Inter-segment revenue	10,334,287			-10,334,287	-
Total revenue	66,362,031	1,634,340		-10,334,287	57,662,084
Segment results	2,997,526	-1,174,256		-	1,823,270
Unallocated expenses					-3,509,707
Profit/ (loss) from operation					-1,686,437

<b>Assets</b>					
Reported segment assets	368,339,560	106,380,334			474,719,894
Corporate assets					29,484,672
Consolidated total assets					504,204,566

<b>Liabilities</b>					
Segment liabilities	161,338,368	4,425,380			165,763,748
Corporate liabilities					38,973,828
Total consolidated liabilities					204,737,576

**Period ended 31 March 2016**

	<u>Plantations</u>	<u>Property</u>	<u>Head Office</u>	<u>Eliminations</u>	<u>Consolidation</u>
	<u>RM</u>	<u>RM</u>		<u>RM</u>	<u>RM</u>
External revenue	41,483,262	1,728,655			43,211,917
Inter-segment revenue	7,565,039			-7,565,039	-
Total revenue	49,048,301	1,728,655		-7,565,039	41,211,917
Segment results	-5,518,247	-1,061,405		-	-6,579,651
Unallocated expenses					-3,338,458
Profit/(Loss) from Operation					-9,918,109

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**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT  
FOR THE PERIOD TO 31 MARCH 2017.**

<b>Assets</b>					
Reported segment assets	354,457,085	92,392,706			446,849,791
Corporate assets					23,187,306
Consolidated total assets					470,037,097
<b>Liabilities</b>					
Segment liabilities	122,434,623	4,440,069			126,874,692
Corporate liabilities					40,080,995
Total corporate liabilities					166,955,687

**A9 Significant material events during the period/ post balance sheet events**

There were no material events subsequent to the end of the current interim financial period that have not been reflected in the financial statements of the period under review.

**A10 Changes in the composition of the Group**

On 6 January 2017, the Company entered into a Share Sale Agreement with several third party individuals, for the sale of the entire share capital of a subsidiary, Gemilang Bumimas Sdn Bhd for a total consideration of RM13,600,000.

The disposal was completed on 22 February 2017 and RM3,471,593 of the total consideration was settled by way of cash. The balance sum of RM10,128,407 of the total consideration will be settled by way of cash within one year from the date of the agreement.

The disposal of Gemilang Bumimas Sdn Bhd resulted in a loss of RM352,874 for the Group.

	Disposal of Gemilang Bumimas Sdn Bhd
	RM
Property, plant and equipment	14,530,031
Current liabilities	<u>-577,157</u>
Net assets disposed	13,952,874
Disposal consideration	<u>13,600,000</u>
Loss from disposal	<u>-352,874</u>

There were no cash flow involved as the amount was set-off against sum owing by companies in the Harn Len Group to the companies of the purchasers of the shares.

**A11 Contingent liabilities and contingent assets**

There were no material contingent liabilities and contingent assets for the Group for the period under review.

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**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.**

**A12 Capital commitments**

The following are the material capital commitments to be incurred by the Group as at date of this report:

**Property, plant and equipment**

	<u>(RM000’s)</u>
Contracted but not provided for in the financial statements	15,047
Not contracted for and not provided for in the financial statements	33,305

**A13 Related party transactions**

Significant related party transactions for the period under review are as follows

**Purchases and payments**

<u>Transacting parties</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>For the period ended 31 March</u>	
			<u>2017</u>	<u>2016</u>
			<u>(RM000’s)</u>	<u>(RM000’s)</u>
Seri Cemerlang Plantation (Pahang) Sdn Bhd	Affiliated company	Rental of motor equipment	9	30
Low Nam Hui and Sons Sdn Bhd	Affiliated company	Provision of management services	6	26
LNH Enterprise Sdn Bhd	Affiliated company	Provision of management services	9	9
Kanghui Travel Sdn Bhd	Affiliated company	Purchases of air tickets/insurance.	199	209
Kanghui Travel Sdn Bhd	Affiliated company	Rental income	10	9
One63 Ideas Sdn Bhd	Affiliated company	Rental income	-	34
Advance Pinnacle Sdn Bhd	Affiliated company	Purchase of FFB/seedlings	-	96
Horn Len (Merakai) Sdn Bhd	Affiliated company	Purchase of FFB	191	97
Horn Len (Semada) Sdn Bhd	Affiliated company	Purchase of FFB	103	57
Horn Len (Merakai) Sdn Bhd	Affiliated company	Sales of seedlings	33	135
Horn Len (Krangan) Sdn Bhd	Affiliated company	Sales of seedlings	-	3
Horn Len (Jerok) Sdn Bhd	Affiliated company	Sales of seedlings	-	11

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**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.**

**Part B: Additional Information Required Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.**

**B1 Review of performance**

For the 3 months ended 31 March 2017, the Group generated total revenues of RM 57,662,084 (2016-RM 43,211,917). The plantation operations contributed RM 56,027,744 or 97%, (2016-RM 41,483,262 or 96%). The property divisions contributed RM 1,634,340 or 3%, (2016-RM 1,728,655 or 4%).

**Plantation operations**

The following are the production and sales for the period ended 31 March 2017:-

	<u>31 March 2017</u>	<u>31 March 2016</u>
FFB produced (m/t)	33,430	22,497
FFB processed (m/t)	74,949	72,677
CPO produced (m/t)	15,092	14,139
PK produced (m/t)	3,105	3,079
CPO sold (m/t)	15,100	14,297
PK sold (m/t)	3,084	3,178

The average selling price of CPO was RM 2,988 per m/t (2016-RM 2,313per m/t), FFB was RM 493 per m/t (2016-RM 415 per m/t) and for PK, it was RM 3,075 per m/t (2016- RM 1,822 per m/t).

**Property and hotel operations**

The property operation, especially the hotel division, remained lackluster for the year to date due to intense competition from newer hotels and less visitor arrivals. The average room rate was RM 80.00 (2016-RM 76.00) and average room occupancy was 45% (2016-60%).

**B2 Comparison of results against preceding quarter**

	Quarter to 31/3/2017	Quarter to 31/12/2016	%
	<u>RM</u>	<u>RM</u>	
Revenue	57,662,084	81,369,080	-29
Profit/(loss) from operating activities	-1,686,437	14,056,653	->100

	Quarter to 31/3/2017	Quarter to 31/12/2016	%
FFB processed (mt)	74,949	116,930	-36
CPO produced (mt)	15,092	23,308	-35
PK produced (mt)	3,105	4,846	-36
Average selling prices	RM/mt	RM/mt	

**HARN LEN CORPORATION BHD (“Harn Len” or “the Company”) (502606-H)**

**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.**

CPO	2,988	2,793	
PK	3075	2,641	

The revenue generated in the current quarter was 29% lower than the revenue achieved in the preceding quarter. The lower revenue generated was mainly due to the lower production and sales volume of FFB, CPO and PK in the current quarter compared to the preceding quarter even with commodity prices trending upwards in the current quarter. An amount of 74,949 m/t of FFB was processed compared to 116,930 m/t for the preceding quarter. 15,092 m/t of CPO and 3,105 m/t of PK were produced, compared to 23,308 m/t of CPO and 4,846 m/t of PK respectively in the preceding quarter. A total of 15,100 m/t of CPO were sold at an average selling price of RM 2,988 per m/t compared to 23,355 m/t at RM 2,793 per m/t. a total of 3,084 m/t of PK was sold at an average selling price of RM3,075 per m/t compared to 4,874 m/t at RM2,641 per m/t.

Operating costs remained high and the group incurred an operating loss of RM 1,686,437 compared to an operating profit of RM14,056,653 in the preceding quarter.

**B3 Current year prospects**

CPO price is currently trading around RM 2,700 per m/t. The price of CPO is expected to remain at this level in the near future. However, prices are expected to weaken for the rest of the year in view of higher production of FFB and expected higher CPO inventory.

The property operations especially the hotel division, continue to face difficult times with stiff competition and the continued decline in arrivals. The austerity measures undertaken by the Government will affect the business of the hotel.

The plantation operations faces a man-power problem due to shortage of workers. Measures have been taken to recruit more workers to harvest crops in the fields. Steps have also been undertaken to improve crop yields from the fields and crop quality in order to improve CPO and PK extraction rates.

The Company continues to seek out parties for the leasing out of the hotel operations in order to reduce losses. Efforts are continuing to dispose on non-core assets to interested parties.

**B4 Profit forecast**

The Group did not issue any profit forecast for the year ending 31 December 2017.

**B5 Taxation**

The taxation for the current quarter is as follows:-

	Current quarter ended 31 March <u>2017</u>	Preceding quarter ended <u>31 March 2016</u>	Current year to date ended 31 March <u>2017</u>	Preceding year to date ended 31 March <u>2016</u>
<b><u>Malaysian income tax</u></b>				
Current year	-800,000	-295,400	-800,000	-295,400

**HARN LEN CORPORATION BHD (“Harn Len” or “the Company”) (502606-H)**

**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.**

Over/ -under provision in prior years				
<b>Deferred tax</b>	694,000	1,876,212	694,000	1,876,212
Over/-Under provision in prior years				
<b>Total</b>	-106,000	1,580,812	-106,000	1,580,812

Deferred tax assets were provided for companies that had adjusted losses. The losses were taken into account as there is a high probability of future profits.

**B6 Notes to the Statement of Comprehensive Income**

	Current quarter ended 31 March 2017	Preceding quarter ended 31 March 2016	Current year to date ended 31 March 2017	Preceding year to date ended 31 March 2016
	RM000's	RM000's	RM000's	RM000's
Depreciation	-5,044	-4,860	-5,044	-4,860
Interest expense	-1,418	-1,117	-1,418	-1,117
Audit fees	-36	-47	-36	-47
Rental paid	-14	-10	-14	-10
Interest received	2	2	2	2

**B7 Status of Corporate proposals**

- a) On 6 January 2017, the Company entered into a Share Sale Agreement with several third party individuals, for the sale of the entire share capital of a subsidiary, Gemilang Bumimas Sdn Bhd for a total consideration of RM13,600,000.

The disposal was completed on 22 February 2017 and RM3,471,593 of the total consideration was settled by way of cash. The balance sum of RM10,128,407 of the total consideration will be settled by way of cash within one year from the date of the agreement.

- b) The Acquisition of three pieces of land together with factory buildings from Jotech Metal Fabrication Industries Bhd for RM18,000,000 was completed when the balance payment of RM10,800,000 was released on 12 May 2017.

**HARN LEN CORPORATION BHD (“Harn Len” or “the Company”) (502606-H)**

**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.**

**B8 Group borrowings**

The borrowings by the Group as at 31 March 2017 are as follows:-

		As at 31 March 2017	As at 31 December 2016
Term loans payable		RM	RM
Within 12 months		2,384,910	1,809,071
More than 12 months		<u>44,736,867</u>	<u>45,501,094</u>
Total		47,121,777	47,310,165
Bank overdrafts		<u>45,707,296</u>	<u>41,092,435</u>
Total		<u>92,829,073</u>	<u>88,402,600</u>

Hire purchase payable			
Within 12 months	RM	3,559,336	3,599,376
More than 12 months		<u>2,947,817</u>	<u>3,873,106</u>
Total	RM	<u>6,507,153</u>	<u>7,472,482</u>

Total borrowings RM 99,336,226 95,875,082

**B9 Material litigations**

There was no material litigation against the company or its subsidiaries as at date of this report.

**B10 Dividend payable**

No dividend was announced for the current period under review

**B11 Earnings per share**

			Current quarter ended 31 March 2017	Cumulative year to date 31 March 2017	Quarter ended 31 March 2016	Cumulative year to date 31 March 2016
<b>Earnings</b>						
	Net profit/(loss) for the period	RM	-3,611,283	-3,611,283	-8,575,265	-8,575,265
a)	Basic weighted average number of shares		179,936,159	179,936,276	185,401,159	185,01,159
c)	Basic earnings per share	Sen	-2.01	-2.01	-4.63	-4.63
d)	Diluted earnings per share	Sen	n/a	n/a	n.a.	n.a.

## HARN LEN CORPORATION BHD (“Harn Len” or “the Company”) (502606-H)

### EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD TO 31 MARCH 2017.

#### B12 Realised and unrealised profits

The breakdown of retained profits of the Group as at 31 March 2017, into realized and unrealized profits, pursuant to the directive issued by Bursa Malaysia is as follows:-

Retained profits	Group	
	31 March 2017	31 December 2016
	RM000's	RM000's
Realised profit/(loss)	43,832	46,970
Unrealised in respect of deferred tax recognized in income statement	-15,907	-16,601
Total	27,925	30,369
Add consolidation adjustments	<u>88,112</u>	<u>89,279</u>
Total Group retained profits	<u>116,037</u>	<u>119,648</u>

## HARN LEN CORPORATION BHD (“Harn Len” or “the Company”)

### Additional Information required by Bursa Malaysia’s Listing Requirements Paragraph 2.19.

#### Status of Progress of Joint Venture

The Company through its wholly-owned subsidiary, Premium Dragon Sdn Bhd (“PDSB”) had signed a Joint Venture Agreement (“the Agreement”) on 3 September 2004 with Pelita Holdings Sdn Bhd (“PHSB”). Harn Len Pelita Bengunan Sdn Bhd (“HLPB”), the joint-venture company which is 60% owned by PDSB, was set up for the purpose of undertaking development of several parcels of land known as Kara Ranga Engkaramut NCR Land Development Area, Bukit Bengunan, Sri Aman Division, Sarawak, comprising a gross area of approximately 24,636 hectares (“Land”) which is occupied by natives of Sarawak who have Native Customary Rights over the said Land (“NCR Owners”) into oil palm plantations. The plantable area of the said Land is estimated at 10,681 hectares.

The authorized capital of the joint-venture company (“JVC”) is RM 10,000,000 made up of 10,000,000 ordinary shares of RM 1.00 per ordinary share. The paid up capital is RM 4,756,805. The authorized capital of the JVC will be increased to RM 24,000,000 made up of 24,000,000 shares of RM1.00 per ordinary share when the entire plantable Land has been developed.

The parties to the joint-venture company are:-

	<u>% shareholdings</u>
i) Premium Dragon Sdn Bhd	60
ii) PHSB as Trustees for NCR Owners	30
iii) Pelita Holdings Sdn Bhd	<u>10</u>
Total	<u>100</u>

As at 31 March 2017, HLPB has planted 5,573 ha of the Land with oil palm trees, of which 3,781 ha are considered matured. Crop production for the year to date was 13,325 m/t of FFB (2016-6,807 m/t).



**HARN LEN CORPORATION BHD (“Harn Len” or “the Company”) (502606-H)**

**EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT  
FOR THE PERIOD TO 31 MARCH 2017.**

The development expenditure and other assets and liabilities incurred up to 31 March 2017 were as follows:-

	<u>31 March 2017</u>	<u>31 December 2016</u>
	<u>RM000's</u>	<u>RM000's</u>
Plantation development expenditure	68,561	67,318
Property, plant and equipment	8,064	7,846
Inventory and other assets	<u>3,399</u>	<u>2,972</u>
Total cost	<u>80,024</u>	<u>78,136</u>

**Material Litigations:-**

There was no material litigation against the company as at date of this report.

**Supplemental Agreements:-**

On 29 March 2010, a Supplemental Agreement (“SA”) to the Joint Venture Agreement was signed between the parties relating to the issuance of shares in Harn Len Pelita Bengunan Sdn Bhd. 4,800,000 shares or any quantum agreed upon by the parties to the JVC shall be issued, when the NCR owners surrendered their land to the JVC that had been developed by the JVC and thereafter, for every 500 ha developed, a further 1,200,000 shares shall be issued to the parties in the JVC.

On 17 May 2010, another Supplemental Agreement (“SA II”) to the Joint Venture Agreement was signed between the parties. The SA II relates to the increase in the area to be developed into oil palm plantation with the addition of an additional area described as Semada Block, Simunjan, Sarawak containing an aggregate area of 1136 ha to be known as “the Second Land”.

The parties to the SA II shall procure from the Sarawak Government the alienation of the Second Land to the JVC for a period of sixty (60) years and shall fix a value at RM 1,500.00 (Ringgit Malaysia One thousand five hundred only) per ha. Upon each increase in planting area in the Second Land, the value of such increase calculated on the basis of RM1,500 per ha shall be capitalized as issued and paid up shares in the JVC and RM 480 per ha shall be paid to the NCR Owners when their lots have been and certified.