

HARN LEN CORPORATION BHD (502606-H)

Financial Year End : 31 December 2018
 Quarter : Second Quarter.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter 30/6/2018	Preceding year corresponding quarter 30/6/2017	Current year to date 30/6/2018	Preceding year corresponding period 30/6/2017
	RM	RM Restated	RM	RM Restated
Revenue	35,361,555	61,506,996	81,891,736	119,169,080
Cost of sales	(32,996,411)	(46,842,810)	(75,008,639)	(94,176,748)
Gross profit	2,365,144	14,664,186	6,883,097	24,992,332
Other income	81,678	13,919,339	632,677	13,169,291
Distribution expenses	(2,613,751)	(4,075,129)	(6,354,936)	(8,427,479)
Administrative expenses	(9,237,448)	(20,618,418)	(18,084,549)	(28,208,034)
Other expenses	(98,805)	-	-	-
Results from operating activities	(9,503,182)	3,889,978	(16,923,711)	1,526,110
Finance costs	(1,830,326)	(1,528,469)	(3,518,401)	(2,946,852)
Interest income	2,672	2,392	5,115	4,713
(Loss) profit before tax	(11,330,836)	2,363,901	(20,436,997)	(1,416,029)
Income tax credit (expense)	626,718	(1,601,691)	1,899,791	(1,707,691)
Total comprehensive (loss) income for the period	(10,704,118)	762,210	(18,537,206)	(3,123,720)
(Loss) profit attributable to ;				
Owners of the Company	(10,303,322)	819,857	(17,644,712)	(3,382,243)
Non-controlling interests	(400,796)	(57,647)	(892,494)	258,523
(Loss) profit for the period	(10,704,118)	762,210	(18,537,206)	(3,123,720)
(Loss) profit per share				
Basic (sen)	(5.95)	0.46	(10.19)	(1.88)
Weighted average number of shares	173,219,928	179,936,159	173,221,286	179,936,276

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 30 JUNE 2018

	<u>As at 30/6/2018</u>	<u>As at 31/12/2017</u>	<u>As at 1/1/2017</u>
	RM	RM	RM
		Restated	Restated
Assets			
Non-current assets			
Property, plant and equipment	430,067,324	426,310,620	421,749,990
Investment properties	49,135,427	43,276,932	39,353,185
Deferred tax assets	1,899,832	1,704,041	4,253,354
Goodwill on consolidation	5,794,799	5,794,799	5,794,799
Total non-current assets	<u>486,897,382</u>	<u>477,086,392</u>	<u>471,151,328</u>
Current assets			
Biological assets	1,762,289	1,440,393	2,818,050
Inventories	6,111,330	9,893,128	7,414,030
Trade receivables	1,149,450	3,560,749	4,945,661
Other receivables, deposits and prepaid expenses	35,973,115	53,826,496	8,892,193
Amount owing from affiliated companies	469,705	327,164	323,710
Tax recoverable	3,038,158	983,022	912,514
Cash and cash equivalents	2,294,414	4,914,879	3,474,684
Total current assets	<u>50,798,461</u>	<u>74,945,831</u>	<u>28,780,842</u>
Total assets	<u>537,695,843</u>	<u>552,032,223</u>	<u>499,932,170</u>
Equity and liabilities			
Capital and reserves			
Share capital	198,380,013	198,380,013	185,477,159
Reserves	100,644,953	118,291,717	129,900,289
Equity attributable to owners of the company	<u>299,024,966</u>	<u>316,671,730</u>	<u>315,377,448</u>
Non-controlling interests	(10,497,197)	(9,604,703)	(9,882,975)
Total equity	<u>288,527,769</u>	<u>307,067,027</u>	<u>305,494,473</u>
Liabilities			
Non-current liabilities			
Deferred tax liabilities	19,981,000	21,710,000	20,854,000
Retirement benefits	897,000	897,000	848,000
Loans and borrowings	72,870,280	69,749,407	66,667,198
Total non-current liabilities	<u>93,748,280</u>	<u>92,356,407</u>	<u>88,369,198</u>
Current liabilities			
Trade payables	66,635,881	73,922,580	34,999,255
Other payables and accrued expenses	29,209,435	24,437,751	24,688,173
Amount owing to affiliated companies	2,716,401	345,609	157,554
Amount owing to director	510,288	-	-
Tax liabilities	637	2,900	637
Loans and borrowings	56,347,152	53,899,949	46,222,880
Total current liabilities	<u>155,419,794</u>	<u>152,608,789</u>	<u>106,068,499</u>
Total liabilities	<u>249,168,074</u>	<u>244,965,196</u>	<u>194,437,697</u>
Total equity and liabilities	<u>537,695,843</u>	<u>552,032,223</u>	<u>499,932,170</u>
Net assets per share (sen)	166.57	172.30	168.06

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 30 JUNE 2018

	Share Capital RM	Share Premium RM	Treasury Shares RM	Capital Reserves RM	Retained Profit/(loss) RM	Total RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2018, as previously reported	198,380,013	-	(9,869,075)	-	126,819,250	315,330,188	(9,703,554)	305,626,634
Effect of change in accounting policy (see Note A2)	-	-	-	-	1,341,542	1,341,542	98,851	1,440,393
At 1 January 2018, as restated	198,380,013	-	(9,869,075)	-	128,160,792	316,671,730	(9,604,703)	307,067,027
Total comprehensive loss for the period	-	-	-	-	(17,644,712)	(17,644,712)	(892,494)	(18,537,206)
Treasury shares	-	-	(2,052)	-	-	(2,052)	-	(2,052)
Balance at 30 June 2018	198,380,013	-	(9,871,127)	-	110,516,080	299,024,966	(10,497,197)	288,527,769
At 1 January 2017, as previously reported	185,477,159	6,634,854	(5,044,265)	6,268,000	119,648,220	312,983,968	(10,307,545)	302,676,423
Effect of change in accounting policy (see Note A2)	-	-	-	-	2,393,480	2,393,480	424,570	2,818,050
At 1 January 2017, as restated	185,477,159	6,634,854	(5,044,265)	6,268,000	122,041,700	315,377,448	(9,882,975)	305,494,473
Total comprehensive (loss) income for the period	-	-	-	-	(3,382,243)	(3,382,243)	258,523	(3,123,720)
Treasury shares	-	-	(934)	-	-	(934)	-	(934)
Transfer arising from "no par value" regime	12,902,854	(6,634,854)	-	(6,268,000)	-	-	-	-
Balance at 30 June 2017	198,380,013	-	(5,045,199)	-	118,659,457	311,994,271	(9,624,452)	302,369,819

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying 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 30 JUNE 2018

	30/6/2018 RM	30/6/2017 RM Restated
<u>Cash flows from operating activities</u>		
Loss before tax	(20,436,997)	(1,416,029)
<u>Adjustments for:</u>		
Depreciation of property, plant & equipment	11,076,314	9,944,383
Finance costs	3,518,401	2,946,852
Amortisation of investment properties	326,831	209,528
Property, plant & equipment written off	60,080	-
Interest received	(5,115)	(4,713)
Gain on fair value of biological assets	(321,896)	(22,625)
Bad debts written off	-	74,107
Gain from sale of investment	-	(700,990)
Operating (loss) profit before changes in working capital	<u>(5,782,382)</u>	<u>11,030,513</u>
<u>Increase (Decrease) in working capital:-</u>		
Change in inventories	3,781,798	(786,662)
Change in trade debtors and other receivables	20,264,680	(41,592,969)
Change in trade creditors and other payables	(2,515,015)	24,690,711
Amount owing from affiliated companies	(142,541)	-
Amount owing to affiliated companies	2,370,792	-
Amount owing to director	510,288	-
Cash generated from (used in) operations	<u>18,487,620</u>	<u>(6,658,407)</u>
Income tax paid	(2,082,399)	(1,852,235)
Finance expenses paid	<u>(3,518,401)</u>	<u>(2,946,852)</u>
Net cash from (used in) operating activities	<u>12,886,820</u>	<u>(11,457,494)</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(14,893,098)	(14,647,501)
Purchase of investment property	(6,185,326)	(276,000)
Proceed from sale of investment	-	13,600,000
Interest received	5,115	4,713
Increase in fixed deposit	(5,115)	(4,713)
Net cash used in investing activities	<u>(21,078,424)</u>	<u>(1,323,501)</u>
<u>Cash flows from financing activities</u>		
Treasury shares	(2,052)	(934)
Repayment of loans and borrowings	(2,762,551)	(411,679)
Payment of finance lease liabilities	(268,928)	(1,827,618)
Proceeds of loan	7,000,000	10,800,000
Net utilisation of bank overdraft	1,599,555	4,110,823
Net cash generated from financing activities	<u>5,566,024</u>	<u>12,670,592</u>
Net decrease in cash and bank balances	(2,625,580)	(110,403)
Cash and bank balances at beginning of period	4,546,840	3,116,168
Cash and bank balances at end of period	<u>1,921,260</u>	<u>3,005,765</u>
Cash and cash equivalents consist of the following:		
Cash and bank balances	2,294,414	3,368,994
Less: Deposits with licensed banks	<u>(373,154)</u>	<u>(363,229)</u>
	<u>1,921,260</u>	<u>3,005,765</u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

Part A2-SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER <u>30/6/2018</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING QUARTER <u>30/6/2017</u> RM '000 (RESTATED)	CURRENT YEAR TO DATE <u>30/6/2018</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING PERIOD <u>30/6/2017</u> RM '000 (RESTATED)
1 Revenue	35,362	61,507	81,892	119,169
2 Profit/(Loss) before taxation	(11,331)	2,364	(20,437)	(1,416)
3 Profit/(Loss) for the period	(10,704)	762	(18,537)	(3,124)
4 Profit/(Loss) attributable to ordinary equity holders of the parent	(10,303)	820	(17,645)	(3,382)
5 EPS-Basic (sen)	(5.95)	0.46	(10.19)	(1.88)
6 Proposed/ Declared Dividend per share (sen)	-	-	-	-

	AS AT END OF CURRENT QUARTER 30/6/2018 RM (UNAUDITED)	AS AT END OF PRECEDING FINANCIAL YEAR END 31/12/2017 RM (RESTATED)	AS AT END OF PRECEDING FINANCIAL YEAR END 1/1/2017 RM (RESTATED)
7 Net assets per share attributable to ordinary shareholders of the parent	1.67	1.72	1.68

Part A3-ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER <u>30/6/2018</u> RM '000	PRECEDING YEAR CORRESPONDING QUARTER <u>30/6/2017</u> RM '000	CURRENT YEAR TO DATE <u>30/6/2018</u> RM '000	PRECEDING YEAR CORRESPONDING PERIOD <u>30/6/2017</u> RM '000
1 Gross interest income	3	2	5	5
2 Gross interest expenses	(1,830)	(1,528)	(3,518)	(2,947)

Note: The summary of key financial information should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying notes to the interim financial statements.



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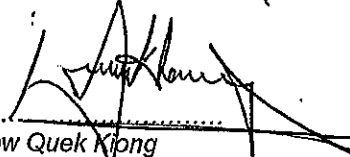
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Authorisation for release to Bursa Malaysia Berhad

August 30, 2018

The Board of Directors
Harn Len Corporation Berhad
6th Floor, Johor Tower
No. 15, Jalan Gereja
80100 Johor Bahru
Johor, Malaysia


Low Quek Kiong
Managing Director of Harn Len Corporation Bhd
Date : 5 September 2018

Attention of Mr. Loh Kah Tiong

Dear Sirs,

**HARN LEN CORPORATION BHD. AND ITS SUBSIDIARY COMPANIES ("THE GROUP")
REVIEW – QUARTER APRIL 1, 2018 TO JUNE 30, 2018.
REPORT OF INDEPENDENT ACCOUNTANTS**

Introduction

We have reviewed the condensed Interim Financial Information of Harn Len Corporation Bhd. and its subsidiary companies which comprised of the condensed consolidated statement of financial position of the Group as of June 30, 2018 and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the quarter from April 1, 2018 to June 30, 2018. Management is responsible for the preparation and presentation of this condensed Interim Financial Information in accordance with Malaysian Financial Reporting Standards. Our responsibility is to express a conclusion on the condensed Interim Financial Information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Basis for Qualified Conclusion

The Group incurred a net loss/ total comprehensive loss of RM10,704,118 during the quarter ended June 30, 2018. As of June 30, 2018, the Group's current liabilities exceeded its current assets by RM104,621,333. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. However, the material uncertainty has not been disclosed in the condensed Interim Financial Information as required by MFRS 108 "Presentation of Financial Statements".

Qualified Conclusion

Based on our review, except for the non-disclosure of the information referred to in the *Basis for Qualified Conclusion* section of our report, nothing has come to our attention that causes us to believe that the condensed Interim Financial Information of the Group as of June 30, 2018 and for the period April 1, 2018 to June 30, 2018 has not been prepared, in all material respects, in accordance with Malaysian Financial Reporting Standards.

Devoite PLT

**DELOITTE PLT
Johor Bahru, Malaysia**