

HARN LEN CORPORATION BHD (502606-H)

Financial Year End : 31 December 2020
 Quarter : Third Quarter

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter	Preceding year	Current year	Preceding year
	30/9/2020	corresponding quarter 30/9/2019	to date 30/9/2020	corresponding period 30/9/2019
	RM	RM	RM	RM
Revenue	36,142,820	30,227,527	82,804,845	73,842,070
Cost of sales	(25,546,844)	(20,855,425)	(63,748,301)	(58,139,141)
Gross profit	10,595,976	9,372,102	19,056,544	15,702,929
Other income	131,838,620	214,964	132,415,000	963,119
Distribution expenses	(2,866,153)	(3,300,587)	(6,703,321)	(8,051,333)
Administrative expenses	(10,676,891)	(8,166,437)	(26,510,352)	(25,433,115)
Other expenses	(306,999)	(1,514,192)	(306,999)	(2,337,492)
Results from operating activities	128,584,553	(3,394,150)	117,950,872	(19,155,892)
Finance costs	(1,897,570)	(3,412,213)	(6,249,137)	(8,992,454)
Interest income	31,477	2,563	237,341	7,928
Profit (loss) before tax	126,718,460	(6,803,800)	111,939,076	(28,140,418)
Income tax expense	(13,304,980)	(782,955)	(14,039,705)	(548,074)
Total comprehensive income (loss) for the period	113,413,480	(7,586,755)	97,899,371	(28,688,492)
Profit (loss) attributable to ;				
Owners of the Company	113,281,672	(6,981,915)	98,843,599	(26,911,305)
Non-controlling interests	131,808	(604,840)	(944,228)	(1,777,187)
Profit (loss) for the period	113,413,480	(7,586,755)	97,899,371	(28,688,492)
Profit (loss) per share				
Basic (sen)	60.08	(4.03)	52.54	(15.54)
Weighted average number of shares	188,558,282	173,219,859	188,125,291	173,219,859

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 2019 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 SEPTEMBER 2020

	As at 30/9/2020 RM	As at 31/12/2019 RM (AUDITED)
Assets		
Non-current assets		
Property, plant and equipment	209,374,805	219,106,655
Investment properties	108,492,524	109,508,211
Right-of-use assets	74,552,251	75,664,683
Investment securities	2,500,000	-
Goodwill on consolidation	5,794,799	5,794,799
Total non-current assets	<u>400,714,379</u>	<u>410,074,348</u>
Current assets		
Biological assets	2,224,157	2,163,902
Inventories	4,803,863	5,195,286
Trade receivables	6,330,438	4,879,286
Other receivables, deposits and prepaid expenses	37,790,920	35,817,504
Amount owing from affiliated companies	3,778,271	3,570,244
Tax recoverable	83,498	1,057
Investment securities	3,160,000	-
Cash and bank balances	88,012,330	1,621,489
	<u>146,183,477</u>	<u>53,248,768</u>
Assets classified as held for sale	2	50,982,388
Total current assets	<u>146,183,479</u>	<u>104,231,156</u>
Total assets	<u><u>546,897,858</u></u>	<u><u>514,305,504</u></u>
Equity and liabilities		
Capital and reserves		
Share capital	201,984,013	198,380,013
Reserves	122,022,947	38,826,668
Equity attributable to owners of the company	<u>324,006,960</u>	<u>237,206,681</u>
Non-controlling interests	(13,607,491)	(12,663,263)
Total equity	<u>310,399,469</u>	<u>224,543,418</u>
Liabilities		
Non-current liabilities		
Deferred tax liabilities	18,833,626	19,957,446
Loans and borrowings	41,657,678	8,795,004
Lease liabilities	22,293,510	21,859,924
Total non-current liabilities	<u>82,784,814</u>	<u>50,612,374</u>
Current liabilities		
Trade payables	58,157,902	74,484,637
Other payables and accrued expenses	32,446,270	55,361,660
Amount owing to affiliated companies	1,626,552	16,924,729
Amount owing to a director	20,288	960,288
Tax liabilities	10,586,385	3,066,675
Loans and borrowings	32,312,212	88,351,723
Dividends payable	18,563,966	-
Total current liabilities	<u>153,713,575</u>	<u>239,149,712</u>
Total liabilities	<u>236,498,389</u>	<u>289,762,086</u>
Total equity and liabilities	<u><u>546,897,858</u></u>	<u><u>514,305,504</u></u>
Net assets per share (sen)	165.00	129.63

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

	<u>Share Capital</u> RM	<u>Treasury Shares</u> RM	<u>Share Option Reserve</u> RM	<u>Retained Profit (loss)</u> RM	<u>Total</u> RM	<u>Non-controlling Interests</u> RM	<u>Total Equity</u> RM
At 1 January 2020	198,380,013	(9,871,127)	-	48,697,795	237,206,681	(12,663,263)	224,543,418
Total comprehensive income for the period	-	-	-	98,843,599	98,843,599	(944,228)	97,899,371
Issuance of shares	3,520,000	-	-	-	3,520,000	-	3,520,000
Purchase of treasury shares	-	(217,824)	-	-	(217,824)	-	(217,824)
Share option granted under ESS	-	-	346,010	-	346,010	-	346,010
Share granted under ESS	-	4,220,123	-	(1,347,663)	2,872,460	-	2,872,460
Transfer from share option reserve	84,000	-	(84,000)	-	-	-	-
Dividends	-	-	-	(18,563,966)	(18,563,966)	-	(18,563,966)
Balance at 30 September 2020	201,984,013	(5,868,828)	262,010	127,629,765	324,006,960	(13,607,491)	310,399,469
At 1 January 2019	198,380,013	(9,871,127)	-	106,988,753	295,497,639	(10,919,248)	284,578,391
Total comprehensive loss for the period	-	-	-	(26,911,305)	(26,911,305)	(1,777,187)	(28,688,492)
Balance at 30 September 2019	198,380,013	(9,871,127)	-	80,077,448	268,586,334	(12,696,435)	255,889,899

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 THIRD QUARTER ENDED 30 SEPTEMBER 2020

	<u>30/9/2020</u>	<u>30/9/2019</u>
	RM	RM
<u>Cash flows from operating activities</u>		
Profit (loss) before tax	111,939,076	(28,140,418)
<u>Adjustments for:</u>		
Depreciation and amortisation	14,564,542	16,606,654
Finance costs	6,249,137	8,992,454
Property, plant & equipment written off	129,600	-
Impairment of property, plant & equipment	-	1,021,222
Impairment of inventory	-	-
Interest received	(237,341)	(7,928)
Loss on fair value of biological assets	(60,255)	(189,546)
Inventory written off	-	27,501
Charge for retirement benefits	-	-
Fair value loss on investment securities	306,999	-
Allowance for doubtful debts	-	-
Reversal of allowance for doubtful debts	-	-
Loss from sale of investment property	-	-
Gain from sale of property, plant & equipment	(100,000)	(14,000)
Share granted under ESS	2,872,460	-
Share option granted under ESS	346,010	-
Gain from sale of asset classified as held for sale	(132,122,769)	(569,600)
Operating profit (loss) before changes in working capital	<u>3,887,459</u>	<u>(2,273,661)</u>
<u>Increase (Decrease) in working capital:-</u>		
Change in inventories	391,423	(2,263,830)
Change in trade debtors and other receivables	(3,124,568)	(2,844,139)
Change in trade creditors and other payables	(39,242,125)	15,848,722
Amount owing from affiliated companies	-	(2,249,868)
Amount owing to affiliated companies	(15,506,204)	1,743,065
Cash (used in) generated from operations	<u>(53,594,015)</u>	<u>7,960,289</u>
Income tax paid	(7,726,256)	(136,018)
Income tax refunded	-	1,210,191
Net cash (used in) from operating activities	<u>(61,320,271)</u>	<u>9,034,462</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(1,203,728)	(4,153,376)
Purchase of right-of-use assets	-	(203,508)
Purchase of investment securities	(2,500,000)	-
Proceed from sale of property, plant and equipment	100,000	14,000
Proceed from sale of asset classified as held for sale	182,663,560	19,000,000
Interest received	237,341	7,928
Increase in fixed deposit	(72,006,103)	(7,928)
Net cash from investing activities	<u>107,291,070</u>	<u>14,657,116</u>
<u>Cash flows from financing activities</u>		
Finance expenses paid	(5,868,401)	(6,961,017)
Issuance of shares	3,520,000	-
Treasury shares	(217,824)	-
Repayment of loans and borrowings	(7,601,457)	(16,290,000)
Payment of lease liabilities	-	(1,172,006)
Proceeds of loan	-	4,135,000
Amount owing to a director	(940,000)	490,000
Net utilisation of bank overdraft	(20,478,379)	(4,104,773)
Net cash used in financing activities	<u>(31,586,061)</u>	<u>(23,902,796)</u>
Net increase (decrease) in cash and bank balances	14,384,738	(211,218)
Cash and bank balances at beginning of period	1,232,472	1,057,446
Cash and bank balances at end of period	<u>15,617,210</u>	<u>846,228</u>
Cash and cash equivalents consist of the following:		
Cash and bank balances	88,012,330	1,232,691
Less: Deposits with licensed banks	(72,395,120)	(386,463)
	<u>15,617,210</u>	<u>846,228</u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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>30/9/2020</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING QUARTER <u>30/9/2019</u> RM '000	CURRENT YEAR TO DATE <u>30/9/2020</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING PERIOD <u>30/9/2019</u> RM '000
1 Revenue	36,143	30,228	82,805	73,842
2 Profit (loss) before taxation	126,718	(6,804)	111,939	(28,140)
3 Profit (loss) for the period	113,413	(7,587)	97,899	(28,688)
4 Profit (loss) attributable to ordinary equity holders of the parent	113,282	(6,982)	98,844	(26,911)
5 EPS-Basic (sen)	60.08	(4.03)	52.54	(15.54)
6 Proposed/ Declared Dividend per share (sen)				

	AS AT END OF CURRENT QUARTER <u>30/9/2020</u> RM (UNAUDITED)	AS AT END OF PRECEDING FINANCIAL YEAR END <u>31/12/2019</u> RM (AUDITED)
7 Net assets per share attributable to ordinary shareholders of the parent	1.65	1.30

Part A3-ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER <u>30/9/2020</u> RM '000	PRECEDING YEAR CORRESPONDING QUARTER <u>30/9/2019</u> RM '000	CURRENT YEAR TO DATE <u>30/9/2020</u> RM '000	PRECEDING YEAR CORRESPONDING PERIOD <u>30/9/2019</u> RM '000
1 Gross interest income	31	3	237	8
2 Gross interest expenses	(1,898)	(3,412)	(6,249)	(8,992)

Note: The summary of key financial information should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying notes to the interim financial statements.

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

EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020.

PART A: EXPLANATORY NOTES AS PER MFRS 134

A1 Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with the requirements of Malaysia Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

A2 Significant Accounting Policies

The accounting policies, presentation and methods of computation adopted for the unaudited condensed interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2019 except for the adoption of new MFRSs, amendments to published standards and IC Interpretations for the Group for the financial year beginning 1 January 2020:

Amendments to MFRS 3	Definition of Business
Amendments to MFRS 101 & MFRS 108	Definition of Material
Amendments to MFRS 9, MFRS 139 & MFRS 7	Financial Instruments

The Group also adopted the following accounting standards, amendments and interpretations where applicable for the financial period beginning on or after 1 June 2020:

COVID-19 – Related Rent Concessions (Amendment to MFRS 16 – Leases)

The amendment exempts a lessee from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessee to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before 30 June 2021.

The adoption of the above MFRSs, amendments to published standards and IC Interpretations do not have any material impact on the unaudited condensed interim financial statements of the Group.

A3 Seasonal or cyclical factors

The Group 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. FFB

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EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020.

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

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

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 during the current financial period.

A5 Material changes in estimates

There were no material changes in the estimates of amount reported in the prior financial year and in the preceding interim periods, which have a material effect in the current financial period.

A6 Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current financial period except for the following:

i) Treasury shares

During the current financial period, the Company had acquired a total of 430,200 ordinary shares from the open market for cash consideration totaling RM217,823.

As at 30 September 2020, the number of treasury shares held was 8,054,500.

ii) Employee Share Scheme (“ESS”)

During the current financial period, the Company issued 1,200,000 new ordinary shares for cash at RM720,000 pursuant to the exercise of share option granted under the ESS.

iii) Share placement

During the current financial period, the Company issued 7,000,000 new ordinary shares for cash at RM2,800,000 through a private placement to fund its working capital requirement.

The outstanding unexercised number of warrants as at 30 September 2020 was 51,965,924.

A7 Dividend paid

There were no dividend paid in the current financial period.

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EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020.

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, palm oil mill, sales and purchases of FFB, sales and trading of crude palm oil (“CPO”) and palm kernel (“PK”) and the provision of plantation development contract services to related parties and external customers.

Property and others : Property investment and others

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

Segment information

Period ended 30 September 2020

	<u>Plantations</u>	<u>Property & Others</u>	<u>Eliminations</u>	<u>Consolidation</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
External revenue	80,553,979	2,250,866	-	82,804,845
Inter-segment revenue	13,079,335	670,000	(13,749,335)	-
Total revenue	93,633,314	2,920,866	(13,749,335)	82,804,845
Segment results	128,259,017	(3,687,946)	-	124,571,071
Unallocated expenses				(6,620,199)
(Loss) from operation				117,950,872

<u>Assets</u>				
Reported segment assets	423,667,072	110,978,742	-	534,645,814
Corporate assets				12,252,044
Consolidated total assets				546,897,858
<u>Liabilities</u>				
Segment liabilities	183,577,196	27,194,156	-	210,771,352
Corporate liabilities				25,727,037
Total consolidated liabilities				236,498,389

HARN LEN CORPORATION BHD (“Harn Len” or “the Company”) (502606-H)**EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020.****Period ended 30 September 2019**

	<u>Plantations</u>	<u>Property & Others</u>	<u>Eliminations</u>	<u>Consolidation</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
External revenue	71,465,987	2,376,083	-	73,842,070
Inter-segment revenue	14,614,610	-	(14,614,610)	-
Total revenue	86,080,597	2,376,083	(14,614,610)	73,842,070
Segment results	(14,178,108)	(2,111,264)	-	(16,289,372)
Unallocated expenses				(2,866,520)
(Loss) from operation				(19,155,892)

<u>Assets</u>				
Reported segment assets	433,136,545	119,402,238	-	552,538,783
Corporate assets				7,393,944
Consolidated total assets				559,932,727
<u>Liabilities</u>				
Segment liabilities	267,450,196	27,480,471	-	294,930,667
Corporate liabilities				9,112,161
Total consolidated liabilities				304,042,828

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

On 5 June 2020, the Company announced on the proposal to undertake a Private Placement (“Proposed Private Placement”) of up to 7,000,000 shares representing approximately 4% of the total number of issued shares of the Company (excluding treasury shares) to fund its working capital requirement. The additional listing application in relation to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”) for approval on 11 June 2020 and the approval was obtained on 18 June 2020.

The Private Placement was completed on 14 July 2020.

A10 Changes in the composition of the Group

There were no material changes in the composition of the Group for the current financial period.

A11 Contingent liabilities and contingent assets

There were no material contingent liabilities and contingent assets for the current financial period.

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EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020.

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 & Plantation Development Expenditures:

	<u>(RM'000)</u>
Contracted but not provided for	1,342
Approved but not contracted for	9,681

A13 Related party transactions

Significant related party transactions for the current financial period are as follows:

<u>Transacting parties</u>	<u>Relationship</u>	<u>Nature of transactions</u>	For the period ended 30 September	
			2020 <u>RM'000</u>	2019 <u>RM'000</u>
Low Nam Hui and Sons Sdn Bhd	Affiliated company	Provision of management services	18	18
LNH Enterprise Sdn Bhd	Affiliated company	Provision of management services	27	27
Kanghui Travel Sdn Bhd	Affiliated company	Purchases of air tickets/insurance.	16	52
Kanghui Travel Sdn Bhd	Affiliated company	Rental income	26	29
Advance Pinnacle Sdn Bhd	Affiliated company	Share of profit/(loss) - estate and plantation management	78	(42)
Horn Lern (Merakai) Sdn Bhd	Affiliated company	Share of profit/(loss) - estate and plantation management	210	301
Horn Lern (Semada) Sdn Bhd	Affiliated company	Share of profit/(loss) - estate and plantation management	109	50
Horn Lern (Jerok) Sdn Bhd	Affiliated company	Share of profit/(loss) - estate and plantation management	120	(9)
Horn Lern (Krangan) Sdn Bhd	Affiliated company	Share of profit/(loss) - estate and plantation management	114	68

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EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020.

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 9 months ended 30 September 2020, the Group generated total revenue of RM82,804,845 (2019: RM73,842,070). The plantation operations contributed RM80,553,979 or 97%, (2019: RM71,465,987 or 97%). The property & other operations contributed RM2,250,866 or 3%, (2019: RM2,376,083 or 3%). The operating profit primarily arose from the gain on disposal of an estate and oil palm mill in Pahang (“LH Disposal”) following the sales completion on 25 August 2020 coupled with favorable commodity price.

Plantation operations

The following are the production and sales for the period ended 30 September 2020:

	30-Sep-20	30-Sep-19
	<u>MT</u>	<u>MT</u>
FFB produced	84,352	118,595
FFB processed	118,475	152,146
CPO produced	24,386	32,352
PK produced	5,160	6,624
CPO sold	24,629	31,817
PK sold	5,140	6,338

The average selling price of CPO was RM2,575 per m/t (2019: RM1,941 per m/t), FFB was RM459 per m/t (2019: RM326 per m/t) and for PK, it was RM1,390 per m/t (2019: RM1,118 per m/t).

Property and other operations

The property and other operations comprise of property investment and food & beverage business which rental income derived from investment properties being the main source of income. The operating loss during the period was mainly due to low occupancy rate of a commercial building comprise of offices, hotel, and shops.

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EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020.

B2 Comparison of results against preceding quarter

	Quarter to 30-Sep-2020 RM	Quarter to 30-Jun-2020 RM	% change
Revenue	36,142,820	18,962,279	91%
Profit (loss) from operating activities	128,584,553	(4,257,009)	-3121%

	Quarter to 30-Sep-2020 MT	Quarter to 30-Jun-2020 MT	% change
FFB processed	50,880	30,486	67%
CPO produced	10,160	6,301	61%
PK produced	2,196	1,268	73%
CPO sold (m/t)	10,040	6,314	59%
PK sold (m/t)	2,153	1,289	67%

<i>Average selling price:</i>	RM/mt	RM/mt	
CPO	2,670	2,272	18%
PK	1,330	1,259	6%

The revenue generated in the current quarter was 91% higher than revenue achieved in the preceding quarter mainly due to higher production and sales volume of FFB, CPO and PK, resulted from the starting of peak crop season, coupled with the increase in average selling price of CPO and PK. Profit from operations mainly arose from the gain on disposal of an estate and oil palm mill in Pahang (“LH Disposal”) following the sales completion on 25 August 2020 coupled with favorable commodity price.

B3 Current year prospects

The Coronavirus Disease 2019 (“COVID-19”) pandemic has impacted the global economy as well as the local market, where the Group and the Company operate. The travel and business restrictions in many countries have resulted in economy uncertainties and also disruption to the global supply chain. In Malaysia, government has imposed Movement Control Order (“MCO”) followed by Conditional Movement Control Order (“CMCO”) and Recovery Movement Control Order (“RMCO”) at different stages and timing. The Company core business continues to operate with limited operation during MCO period and has resumed normal operation moving into CMCO period. Disruption of operation during MCO and CMCO period have impacted the level of revenue and profitability of the Group.

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The Group is actively monitoring the COVID-19 situation as it is still evolving and operations are adjusted from time to time in minimising unfavourable business impact. The Group will also remain cautious and continue to chart out various strategies, which include efforts to increase efficiency and cost rationalization to counter any negative impact to the Group results.

CPO price spike recently, hovering between RM3,100 to RM3,400 per m/t, following the announcement on Malaysian three years low stockpile and the development of Li Nina weather condition We are forecasting an average CPO price between RM2,500 to RM2,600 per mt for year 2020. Moving into Q1 FY2021, the CPO price rally is expected to continue and soften in Q2 FY2021 onwards with year average price of RM2,500.

B4 Profit forecast

The Group did not issue any profit forecast for the year ending 31 December 2020.

B5 Taxation

The taxation for the current financial period is as follows:

	<u>Current quarter ended</u> <u>30 Sep 2020</u>	<u>Preceding quarter ended</u> <u>30 Sep 2019</u>	<u>Current year to date ended</u> <u>30 Sep 2020</u>	<u>Preceding year to date ended</u> <u>30 Sep 2019</u>
<u>Income tax</u>				
Current year	(735,739)	(992,955)	(2,261,464)	(1,221,057)
<u>Deferred tax</u>				
Current year	332,820	210,000	1,123,820	792,000
Real Property Gain Tax ("RPGT")	(12,902,061)	-	(12,902,061)	(119,017)
Total	<u>(13,304,980)</u>	<u>(782,955)</u>	<u>(14,039,705)</u>	<u>(548,074)</u>

B6 Notes to the Statement of Comprehensive Income

	<u>Current quarter ended</u> <u>30 Sep 2020</u> <u>RM'000</u>	<u>Preceding quarter ended</u> <u>30 Sep 2019</u> <u>RM'000</u>	<u>Current year to date ended</u> <u>30 Sep 2020</u> <u>RM'000</u>	<u>Preceding year to date ended</u> <u>30 Sep 2019</u> <u>RM'000</u>
Depreciation & amortization	(4,738)	(5,080)	(14,565)	(16,607)
Interest expense	(1,897)	(3,412)	(6,249)	(8,992)
Audit fees	(44)	(44)	(140)	(144)
Interest received	31	3	237	8

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B7 Status of Corporate proposals

On 5 June 2020, the Company announced on the proposal to undertake a Private Placement (“Proposed Private Placement”) of up to 7,000,000 shares representing approximately 4% of the total number of issued shares of the Company (excluding treasury shares) to fund its working capital requirement. The additional listing application in relation to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”) for approval on 11 June 2020 and the approval was obtained on 18 June 2020.

The Private Placement was completed on 14 July 2020.

B8 Group borrowings

The borrowings by the Group as at 30 September 2020 are as follows:

		<u>As at 30 Sep 2020</u>	<u>As at 31 Dec 2019</u>
Term loans payable:		RM	RM
Within 12 months	-secured	7,814,482	47,046,451
More than 12 months	-secured	<u>40,402,801</u>	<u>8,332,744</u>
Total		48,217,283	55,379,195
Bank overdrafts	-secured	20,058,154	40,543,128
Share margin financing	-secured	3,473,593	-
		<u>71,749,030</u>	<u>95,922,323</u>
Hire Purchase/Finance lease:			
Within 12 months	-secured	965,983	762,144
More than 12 months	-secured	<u>1,254,877</u>	<u>462,260</u>
		2,220,860	1,224,404
Total borrowings		<u>73,969,890</u>	<u>97,146,727</u>

B9 Material litigations

- (a) On 30 September 2016, the Board of Directors of Harn Len Corporation Bhd announced that Harn Len Pelita Bengunan Sdn. Bhd, a subsidiary company of Harn Len Corporation Bhd has been served with a Writ and Statement of Claim both dated 7 September 2016 by the High Court of Sabah and Sarawak at Sri Aman as the first Defendant by the Plaintiffs namely Ismawi Ak Isa (WNKP. 541128-13-5521), Kruka AK Sampar (WNKP. 650930-13-5257), Mambang

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Ak Sebai (WNKP. 520915-13-5579) and Tindi AK Engkapan (WNKP. 510604-13-5281) [Representing on behalf of themselves and 32 other proprietors, occupiers, holders and claimants of Native Customary Rights (NCR) Land situated at Kampung Bait Ulu, Sri Aman, Simanggang, Sarawak] for trespassing upon the Plaintiffs’ said NCR land.

On 15 November 2017, the Board of Harn Len Corporation Bhd announced that Sri Aman High Court suit no: SRA-21NCvC-3/9-2016 (HC) which was announced on 30 September 2016 and 9 May 2017 is now fixed for trial on 15 to 19 January 2018 and 1 and 2 February 2018 commencing at 9:00am each day.

The trial above commenced on 15 January 2018 until 16 January 2018 and was adjourned thereafter due to the fact that the Judge has to take part in Legal Year Ceremony which took place in Miri. Thereafter, the trial could not continue on 29 January 2018 and 30 January 2018 as there was no Iban Court Interpreter available. The trial thus continued on 31 January 2018 and 1 February 2018 and was adjourned to continue on 9, 10, 17, 18 and 20 April 2018.

The trial on 9 and 10 April 2018 have been vacated by the court. Trial for the above continued on 17, 18 and 20 April 2018 with the calling of Tr. Manggal Anak Jalang as the 1st defendant witness on 17 April 2018. As Tr. Manggal Anak Jalang was not feeling well on 18 April 2018 for his further cross examination, the Defendant counsel proceed to call Ipang Anak Banau as the Defendant 2 witness and for Tr. Mangal Anak Jalang to be recalled for further cross examination and re-examination. Ipang Anak Banau was cross examined and his cross-examination was concluded on 20 April 2018.

The case is further rescheduled for re-examination of Ipang Anak Banau, cross-examination and re-examination of Tr. Manggal Anak Jalang and further calling of the Defendant witness for the trial on 14 to 17 May, 2018 and 11 to 14 June 2018 at 9:00am each day.

The case was called up for mention by Court upon short notice on 27 June 2018 and the continuation of the trial has been fixed by the Court on 9 to 10 August 2018 and 20 to 23 August 2018 at 9:30am each day.

The trial of the above case has continued on 9th, 10th, 20th and 21st of August 2018 with the calling of all witnesses and with the close of Defendant defence on 21st August 2018.

The Court has directed that the parties shall file and exchange written submission on or before 28 September 2018 and thereafter, to file and serve any submission in reply on or before 12th October 2018. The Court will deliver ruling on 16th November 2018.

The case was further rescheduled for ruling no 29 November 2018 and subsequently rescheduled further to 10 December 2018.

On 10 December 2018, the Plaintiff’s claim for the above action against the Defendant have been dismissed by the Court with cost of RM15,000. The Plaintiff have the right of Appeal by filing notice of appeal within one month from the date of the ruling. The Defendant Counsel is proceeding to seal the Judgement of the Court by the said ruling.

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On 14 January 2019, the Plaintiff have lodged an appeal to the Court of Appeal against the decision of the High Court which was delivered on 10 December 2018.

The Plaintiff have failed to file and serve the Record of Appeal with the Memorandum of Appeal within the deadline. However, the Plaintiff have filed an application to the Court of Appeal for extension of time to file and serve their Record of Appeal by way of a Notice of Motion which was dated 26 February 2019. The said motion of Plaintiffs is scheduled to be heard by the Court of Appeal in Kuching on 24 April 2019. The Plaintiffs application to the Court of Appeal for extension of time to file and serve their Record of Appeal by way of a Notice of Motion has been allowed by the Court of Appeal. The Plaintiff has been given until 23 May 2019 to file and serve their Record of Appeal. Further thereon, the Plaintiffs have filed and serve their Record of Appeal dated 23 May 2019 by way of service to the Defendant’s Solicitors. The hearing of the appeal was scheduled on 30 August 2019 and subsequently on 20 February 2020 by the Court of Appeal. The hearing fixed on 20 February 2020 had been vacated and rescheduled to 17 July 2020 and subsequently rescheduled further to 5 August 2020.

On 5 August 2020, the hearing was further rescheduled to 24 March 2021. Further development of the above matter will be announced in due course.

B10 Dividend payable

On 14 September 2020, the Board of Directors had declared a special dividend of 10 sen per ordinary share in respect of the financial year ending 31 December 2020.

B11 Earnings per share

		<u>Current quarter ended</u>	<u>Preceding quarter ended</u>	<u>Cumulative year to date</u>	<u>Cumulative preceding</u>
		<u>30 Sep 2020</u>	<u>30 Sep 2019</u>	<u>30 Sep 2020</u>	<u>year to date</u>
					<u>30 Sep 2019</u>
Net profit (loss) for the period	RM	113,413,480	(7,586,755)	97,899,371	(28,688,492)
Basic weighted average number of shares		188,558,282	173,219,859	188,125,291	173,219,859
Basic earnings per share	Sen	60.08	(4.03)	52.54	(15.54)
Diluted earnings per share	Sen	n/a	n.a.	n/a	n.a.

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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 30 September 2020, HLPB has planted 6,224 ha of the Land with oil palm trees, of which 6,194 ha are considered matured. Crop production for the year to date was 23,393 m/t of FFB (2019: 32,736 m/t).

The development expenditure and other assets and liabilities as at 30 September 2020 were as follows:

	<u>30 Sep 2020</u>	<u>31 Dec 2019</u>
	RM'000	RM'000
Plantation development expenditure	75,904	78,085
Property, plant and equipment	8,777	11,816
Inventory and other assets	<u>1,284</u>	<u>1,065</u>
Total cost	<u>85,965</u>	<u>90,966</u>

Material Litigations:

On 30 September 2016, the Board of Directors of Harn Len Corporation Bhd announced that Harn Len Pelita Bengunan Sdn. Bhd, a subsidiary company of Harn Len Corporation Bhd has been served with a Writ and Statement of Claim both dated 7 September 2016 by the High Court of Sabah and Sarawak at Sri Aman as the first Defendant by the Plaintiffs namely Ismawi Ak Isa (WNKP. 541128-13-5521), Kruka AK Sampar (WNKP. 650930-13-5257), Mambang Ak Sebai (WNKP. 520915-13-5579) and Tindi AK Engkapan (WNKP. 510604-13-5281) [Representing on behalf of themselves and 32 other proprietors,

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occupiers, holders and claimants of Native Customary Rights (NCR) Land situated at Kampung Bait Ulu, Sri Aman, Simanggang, Sarawak] for trespassing upon the Plaintiffs’ said NCR land.

On 15 November 2017, the Board of Harn Len Corporation Bhd announced that Sri Aman High Court suit no: SRA-21NCvC-3/9-2016 (HC) which was announced on 30 September 2016 and 9 May 2017 is now fixed for trial on 15th to 19th January 2018 and 1st and 2nd February 2018 commencing at 9:00am each day.

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The trial on 9th and 10th April 2018 have been vacated by the court. Trial for the above continued on 17th, 18th and 20th April 2018 with the calling of Tr. Manggal Anak Jalang as the 1st defendant witness on 17th April 2018. As Tr. Manggal Anak Jalang was not feeling well on 18th April 2018 for his further cross examination, the Defendant counsel proceed to call Ipang Anak Banau as the Defendant 2nd witness and for Tr. Mangal Anak Jalang to be recalled for further cross examination and re-examination. Ipang Anak Banau was cross examined and his cross-examination was concluded on 20th April 2018.

The case is further rescheduled for re-examination of Ipang Anak Banau, cross-examination and re-examination of Tr. Manggal Anak Jalang and further calling of the Defendant witness for the trial on 14th to 17th May, 2018 and 11th to 14th June 2018 at 9:00am each day.

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On 14 January 2019, the Plaintiff have lodged an appeal to the Court of Appeal against the decision of the High Court which was delivered on 10 December 2018.

The Plaintiff have failed to file and serve the Record of Appeal with the Memorandum of Appeal within the deadline. However, the Plaintiff have filed an application to the Court of Appeal for extension of time

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to file and serve their Record of Appeal by way of a Notice of Motion which was dated 26 February 2019. The said motion of Plaintiffs is scheduled to be heard by the Court of Appeal in Kuching on 24 April 2019. The Plaintiffs application to the Court of Appeal for extension of time to file and serve their Record of Appeal by way of a Notice of Motion has been allowed by the Court of Appeal. The Plaintiff has been given until 23 May 2019 to file and serve their Record of Appeal. Further thereon, the Plaintiffs have filed and serve their Record of Appeal dated 23 May 2019 by way of service to the Defendant’s Solicitors. The hearing of the appeal was scheduled on 30 August 2019 and subsequently on 20 February 2020 by the Court of Appeal. The hearing fixed on 20 February 2020 had been vacated and rescheduled to 17 July 2020 and subsequently rescheduled further to 5 August 2020.

On 5 August 2020, the hearing was further rescheduled to 24 March 2021. Further development of the above matter will be announced in due course.

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 1,136 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 RM480 per ha shall be paid to the NCR Owners when their lots have been certified.