

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

Financial Year End : 31 December 2020  
Quarter : Fourth Quarter

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter	Preceding year	Current year	Preceding year
	31/12/2020	corresponding quarter 31/12/2019	to date 31/12/2020	corresponding period 31/12/2019
	RM	RM	RM	RM
<b>Revenue</b>	39,111,114	43,059,025	121,915,959	116,901,095
Cost of sales	(27,143,682)	(33,431,331)	(90,891,983)	(92,886,742)
<b>Gross profit</b>	11,967,432	9,627,694	31,023,976	24,014,353
Other income	493,285	220,900	132,908,285	1,184,019
Distribution expenses	(2,862,881)	(3,859,091)	(9,566,202)	(11,910,424)
Administrative expenses	(5,103,750)	(8,507,143)	(31,614,102)	(33,940,258)
Other expenses	(2,286,523)	(26,979,778)	(2,593,522)	(28,001,000)
<b>Results from operating activities</b>	2,207,563	(29,497,418)	120,158,435	(48,653,310)
Finance costs	(2,401,388)	(1,009,677)	(8,650,525)	(10,002,131)
Interest income	267,810	2,554	505,151	10,482
Profit (loss) before tax	73,985	(30,504,541)	112,013,061	(58,644,959)
Income tax credit (expense)	130,555	(841,940)	(13,909,150)	(1,390,014)
<b>Total comprehensive income (loss) for the period</b>	<b>204,540</b>	<b>(31,346,481)</b>	<b>98,103,911</b>	<b>(60,034,973)</b>
<b>Profit (loss) attributable to ;</b>				
Owners of the Company	(80,006)	(31,379,653)	98,763,593	(58,290,958)
Non-controlling interests	284,546	33,172	(659,682)	(1,744,015)
Profit (loss) for the period	204,540	(31,346,481)	98,103,911	(60,034,973)
<b>Profit (loss) per share</b>				
Basic (sen)	(0.04)	(18.12)	52.24	(33.65)
Weighted average number of shares	190,207,546	173,219,859	189,056,047	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 31 DECEMBER 2020**

	<u>As at 31/12/2020</u>	<u>As at 31/12/2019</u>
	RM	RM (AUDITED)
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	206,100,603	219,106,655
Investment properties	104,427,255	109,508,211
Right-of-use assets	87,697,253	75,664,683
Investment securities	2,500,000	-
Goodwill on consolidation	5,794,799	5,794,799
<b>Total non-current assets</b>	<u>406,519,910</u>	<u>410,074,348</u>
<b>Current assets</b>		
Biological assets	3,945,801	2,163,902
Inventories	5,240,308	5,195,286
Trade receivables	3,175,220	4,879,286
Other receivables, deposits and prepaid expenses	16,130,057	35,817,504
Amount owing from affiliated companies	2,546,601	3,570,244
Tax recoverable	101,107	1,057
Investment securities	3,892,023	-
Cash and bank balances	37,939,205	1,621,489
	<u>72,970,322</u>	<u>53,248,768</u>
Assets classified as held for sale	3,400,000	50,982,388
<b>Total current assets</b>	<u>76,370,322</u>	<u>104,231,156</u>
<b>Total assets</b>	<u><b>482,890,232</b></u>	<u><b>514,305,504</b></u>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Share capital	202,224,013	198,380,013
Reserves	122,667,164	38,826,668
<b>Equity attributable to owners of the company</b>	<u>324,891,177</u>	<u>237,206,681</u>
Non-controlling interests	(13,322,945)	(12,663,263)
<b>Total equity</b>	<u>311,568,232</u>	<u>224,543,418</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	17,829,034	19,957,446
Loans and borrowings	39,383,435	8,795,004
Lease liabilities	21,942,822	21,859,924
<b>Total non-current liabilities</b>	<u>79,155,291</u>	<u>50,612,374</u>
<b>Current liabilities</b>		
Trade payables	23,052,713	74,484,637
Other payables and accrued expenses	27,159,686	55,361,660
Amount owing to affiliated companies	1,563,750	16,924,729
Amount owing to a director	-	960,288
Tax liabilities	10,047,968	3,066,675
Loans and borrowings	30,342,592	88,351,723
<b>Total current liabilities</b>	<u>92,166,709</u>	<u>239,149,712</u>
<b>Total liabilities</b>	<u>171,322,000</u>	<u>289,762,086</u>
<b>Total equity and liabilities</b>	<u><b>482,890,232</b></u>	<u><b>514,305,504</b></u>
Net assets per share (sen)	164.80	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 FOURTH QUARTER ENDED 31 DECEMBER 2020

	Share Capital RM	Treasury Shares RM	Share Option Reserve RM	Retained Profit (loss) RM	Total RM	Non-controlling Interests RM	Total Equity RM
<b>At 1 January 2020</b>	198,380,013	(9,871,127)	-	48,697,795	237,206,681	(12,663,263)	224,543,418
Total comprehensive income for the period	-	-	-	98,763,593	98,763,593	(659,682)	98,103,911
Issuance of shares	3,520,000	-	-	-	3,520,000	-	3,520,000
Purchase of treasury shares	-	(241,391)	-	-	(241,391)	-	(241,391)
Share option granted under ESS	-	-	1,333,800	-	1,333,800	-	1,333,800
Share granted under ESS	-	4,220,123	-	(1,347,663)	2,872,460	-	2,872,460
Transfer from share option reserve	324,000	-	(324,000)	-	-	-	-
Dividends	-	-	-	(18,563,966)	(18,563,966)	-	(18,563,966)
<b>Balance at 31 December 2020</b>	<b>202,224,013</b>	<b>(5,892,395)</b>	<b>1,009,800</b>	<b>127,549,759</b>	<b>324,891,177</b>	<b>(13,322,945)</b>	<b>311,568,232</b>
<b>At 1 January 2019</b>	198,380,013	(9,871,127)	-	106,988,753	295,497,639	(10,919,248)	284,578,391
Total comprehensive loss for the period	-	-	-	(58,290,958)	(58,290,958)	(1,744,015)	(60,034,973)
<b>Balance at 31 December 2019</b>	<b>198,380,013</b>	<b>(9,871,127)</b>	<b>-</b>	<b>48,697,795</b>	<b>237,206,681</b>	<b>(12,663,263)</b>	<b>224,543,418</b>

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 FOURTH QUARTER ENDED 31 DECEMBER 2020

	31/12/2020	31/12/2019
	RM	RM
<b><u>Cash flows from operating activities</u></b>		
Profit (loss) before tax	112,013,061	(58,644,959)
<b><u>Adjustments for:</u></b>		
Depreciation and amortisation	20,117,517	20,911,110
Finance costs	8,650,526	10,002,131
Property, plant & equipment written off	143,322	984,682
Inventories written off	-	309,865
Impairment of property, plant & equipment	212,294	17,765,000
Impairment of right-of use assets	-	10,236,000
Bad debts written off	14,704	-
Interest received	(505,151)	(10,482)
Gain on fair value of biological assets	(1,781,899)	(790,275)
Provision of severance pay	-	1,979,339
Dividend income	(92,833)	-
Realised gain on investment securities	(314,129)	-
Unrealised loss on investment securities	50,350	-
Allowance for doubtful debts	2,311,799	128,270
Loss on fair value of assets held for sales	405,703	-
Gain on sale of property, plant & equipment	(245,498)	(34,508)
Share of loss on estate and plantation management	-	714,678
Variable lease payments	1,050,349	-
Share granted under ESS	2,872,460	-
Share option granted under ESS	1,333,800	-
Gain on sale of asset classified as held for sale	(132,025,134)	(569,600)
Operating profit before changes in working capital	<u>14,211,241</u>	<u>2,981,251</u>
<b><u>Increase (Decrease) in working capital:-</u></b>		
Change in inventories	(45,022)	(619,863)
Change in trade debtors and other receivables	5,225,241	(6,363,571)
Change in trade creditors and other payables	(80,792,497)	23,104,850
Amount owing to affiliated companies	(15,387,685)	(2,556,966)
Cash (used in) generated from operations	<u>(76,788,722)</u>	<u>16,545,701</u>
Income tax paid	(9,156,319)	(419,963)
Income tax refunded	-	1,276,341
Net cash (used in) from operating activities	<u>(85,945,041)</u>	<u>17,402,079</u>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(2,327,622)	(5,702,219)
Purchase of right-of-use assets	-	(203,508)
Purchase of investment securities	(11,403,990)	-
Proceed from sale of property, plant and equipment	125,502	67,850
Proceed from sale of asset classified as held for sale	182,565,927	19,000,000
Proceed from sale of investment securities	5,275,746	-
Dividend received	92,833	-
Interest received	505,151	10,482
Increase in fixed deposit	(22,007,607)	(10,482)
Net cash from investing activities	<u>152,825,940</u>	<u>13,162,123</u>
<b><u>Cash flows from financing activities</u></b>		
Finance expenses paid	(7,468,416)	(10,002,131)
Issuance of shares	3,520,000	-
Treasury shares	(241,391)	-
Dividends	(18,563,966)	-
Repayment of loans and borrowings	(9,624,440)	(15,664,465)
Payment of lease liabilities	-	(29,844)
Amount owing to a director	(960,288)	450,000
Net utilisation of bank overdraft	(19,232,289)	(5,142,736)
Net cash used in financing activities	<u>(52,570,790)</u>	<u>(30,389,176)</u>
Net increase in cash and bank balances	14,310,109	175,026
Cash and bank balances at beginning of period	1,232,472	1,057,446
Cash and bank balances at end of period	<u>15,542,581</u>	<u>1,232,472</u>
Cash and cash equivalents consist of the following:		
Cash and bank balances	37,939,205	1,621,489
Less: Deposits with licensed banks	<u>(22,396,624)</u>	<u>(389,017)</u>
	<u>15,542,581</u>	<u>1,232,472</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

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
	RM '000	RM '000	RM '000	RM '000
	(UNAUDITED)		(UNAUDITED)	
1 Revenue	39,111	43,059	121,916	116,901
2 Profit (loss) before taxation	74	(30,505)	112,013	(58,645)
3 Profit (loss) for the period	205	(31,346)	98,104	(60,035)
4 Profit (loss) attributable to ordinary equity holders of the parent	(80)	(31,380)	98,764	(58,291)
5 EPS-Basic (sen)	(0.04)	(18.12)	52.24	(33.65)
6 Proposed/ Declared Dividend per share (sen)	-	-	-	-

	AS AT END OF CURRENT QUARTER <u>31/12/2020</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

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
	RM '000	RM '000	RM '000	RM '000
1 Gross interest income	268	3	505	10
2 Gross interest expenses	(2,401)	(1,010)	(8,651)	(10,002)

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 FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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; Interest Rate Benchmark Reform
Amendments to MFRS	References to the Conceptual Framework in MFRS Standards

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

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

**EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.**

beginning of the year and picking up thereafter and tapering off towards the year end. FFB 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 50,300 ordinary shares from the open market for cash consideration totaling RM23,567.

As at 31 December 2020, the number of treasury shares held was 8,104,800.

The outstanding unexercised number of warrants as at 31 December 2020 was 51,965,924.

**A7 Dividend paid**

Dividend paid during the current financial period is as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
Special single-tier dividend of 10.0 sen per ordinary shares for the year ended 31 December 2020 paid on 28 October 2020	RM18,563,966	-

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

## EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 31 December 2020

	<u>Plantations</u>	<u>Property &amp; Others</u>	<u>Eliminations</u>	<u>Consolidation</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
External revenue	118,922,714	2,993,245	-	121,915,959
Inter-segment revenue	18,847,924	974,648	(19,822,572)	-
Total revenue	137,770,638	3,967,893	(19,822,572)	121,915,959
Segment results	126,084,045	(8,928,295)	-	117,155,750
Unallocated expenses				(5,142,689)
Profit from operation				112,013,061

<b><u>Assets</u></b>				
Reported segment assets	364,509,348	106,614,988	-	471,124,336
Corporate assets				11,765,896
Consolidated total assets				482,890,232
<b><u>Liabilities</u></b>				
Segment liabilities	140,138,362	24,670,009	-	164,808,371
Corporate liabilities				6,513,629
Total consolidated liabilities				171,322,000



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

## EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.

### Period ended 31 December 2019

	<u>Plantations</u>	<u>Property &amp; Others</u>	<u>Eliminations</u>	<u>Consolidation</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
External revenue	113,713,853	3,187,242	-	116,901,095
Inter-segment revenue	19,701,444	30,000	(19,731,444)	-
Total revenue	133,415,297	3,217,242	(19,731,444)	116,901,095
Segment results	(48,150,582)	(4,813,122)	-	(52,963,704)
Unallocated expenses				(5,681,255)
(Loss) from operation				(58,644,959)

<b><u>Assets</u></b>				
Reported segment assets	329,437,276	130,816,253	-	460,253,529
Corporate assets				54,051,975
Consolidated total assets				514,305,504
<b><u>Liabilities</u></b>				
Segment liabilities	235,232,405	36,609,496	-	271,841,901
Corporate liabilities				17,920,185
Total consolidated liabilities				289,762,086

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

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

### 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.

### A12 Capital commitments

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

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

## EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.

Property, plant and equipment:

	<u>(RM'000)</u>
Contracted but not provided for	1,075
Approved but not contracted for	10,360

### 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 31	
			December	
			2020	2019
			<u>RM'000</u>	<u>RM'000</u>
Low Nam Hui and Sons Sdn Bhd	Affiliated company	Provision of management services	24	24
LNH Enterprise Sdn Bhd	Affiliated company	Provision of management services	36	36
Kanghui Travel Sdn Bhd	Affiliated company	Purchases of air tickets/insurance	16	63
Kanghui Travel Sdn Bhd	Affiliated company	Rental income	36	36
Advance Pinnacle Sdn Bhd	Affiliated company	Variable lease payment	142	2
Horn Lern (Merakai) Sdn Bhd	Affiliated company	Variable lease payment	280	472
Horn Lern (Semada) Sdn Bhd	Affiliated company	Variable lease payment	182	108
Horn Lern (Jerok) Sdn Bhd	Affiliated company	Variable lease payment	254	36
Horn Lern (Kragan) Sdn Bhd	Affiliated company	Variable lease payment	192	97

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## EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 12 months ended 31 December 2020, the Group generated total revenue of RM121,915,959 (2019: RM116,901,095). The plantation operations contributed RM118,922,714 or 98%, (2019: RM113,713,853 or 97%). The property & other operations contributed RM2,933,245 or 2%, (2019: RM3,187,242 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 31 December 2020:

	31-Dec-20	31-Dec-19
	<u>MT</u>	<u>MT</u>
FFB produced	114,147	159,811
FFB processed	164,352	221,549
CPO produced	33,789	47,102
PK produced	7,052	9,521
CPO sold	33,988	47,007
PK sold	7,049	9,618

The average selling price of CPO was RM2,718 per m/t (2019: RM2,040 per m/t), FFB was RM507 per m/t (2019: RM358 per m/t) and for PK, it was RM1,497 per m/t (2019: RM1,139 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.

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

### EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.

#### B2 Comparison of results against preceding quarter

	Quarter to 31-Dec-2020 RM	Quarter to 30-Sep-2020 RM	% change
Revenue	39,111,114	36,142,820	8%
Profit from operating activities	2,207,564	128,584,553	-98%

	Quarter to 31-Dec-2020 MT	Quarter to 30-Sep-2020 MT	% change
FFB processed	45,877	50,880	-10%
CPO produced	9,402	10,160	-7%
PK produced	1,892	2,196	-14%
CPO sold (m/t)	9,359	10,040	-7%
PK sold (m/t)	1,910	2,153	-11%

<i>Average selling price:</i>	RM/mt	RM/mt	
CPO	3,095	2,670	16%
PK	1,783	1,330	34%

The revenue generated in the current quarter was 8% higher than revenue in the preceding quarter mainly due to better average selling price of CPO and PK achieved despite lower CPO & PK output moving into the end of peak crop season. Significant lower profit from operations mainly due to a one time gain on disposal of an estate and oil palm mill in Pahang (“LH Disposal”) recorded in the preceding quarter.

#### B3 Prospects

The Coronavirus 2019 (“COVID-19”) pandemic has impacted the global economy as well as the local market, where the Group and the Company operate. The Group is actively monitoring the COVID-19 situation as it is still evolving and vaccination has just been rolled out globally and in Malaysia. 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.

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

### EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.

CPO price is currently hovering between RM3,900 to RM4,100 per m/t, following the announcement on Malaysian low stockpile, adverse weather condition that curb FFB yield and crop losses due to labour shortage issue. Moving into Q2 FY2021, the CPO price rally is expected to continue and soften in second half of FY2021 onwards with year average price above RM2,700.

#### 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> 31 Dec 2020	<u>Preceding quarter ended</u> 31 Dec 2019	<u>Current year to date ended</u> 31 Dec 2020	<u>Preceding year to date ended</u> 31 Dec 2019
<b><u>Income tax</u></b>				
Current year	(874,037)	(1,073,940)	(3,135,501)	(2,294,997)
<b><u>Deferred tax</u></b>				
Current year	1,004,592	232,000	2,128,412	1,024,000
<b>Real Property Gain Tax ("RPGT")</b>	-	-	(12,902,061)	(119,017)
<b>Total</b>	<b>130,555</b>	<b>(841,940)</b>	<b>(13,909,150)</b>	<b>(1,390,014)</b>

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

## EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.

### B6 Notes to the Statement of Comprehensive Income

Profit (loss) before tax has been arrived at after charging and crediting the following:

	<u>Current quarter ended</u>	<u>Preceding quarter ended</u>	<u>Current year to date ended</u>	<u>Preceding year to date ended</u>
	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Charges:				
Depreciation & amortization	(5,553)	(4,304)	(20,118)	(20,911)
Interest expense	(2,401)	(1,010)	(8,651)	(10,002)
Property, plant and equipment written off	(14)	36	(143)	(985)
Inventories written off	-	(283)	-	(310)
Impairment of property, plant and equipment	(212)	(17,765)	(212)	(17,765)
Impairment of right-of-use assets	-	(10,236)	-	(10,236)
Bad debts written off	(15)	-	(15)	-
Provision for doubtful debts	(2,312)	(128)	(2,312)	(128)
Provision for severance pay	-	-	-	(1,979)
Loss on fair value of assets held for sales	(406)	-	(406)	-
Credits:				
Interest received	268	3	505	10
Net investment income	664	-	357	-
Gain on fair value of biological assets	1,722	600	1,782	790
Gain on disposal of property, plant and equipment	145	21	245	35
Gain / (loss) on disposal of assets classified as held for sales	(97)	-	132,025	570

Other than above, there were no foreign exchange gain or loss for the current financial period and financial year ended 31 December 2020.

### B7 Status of Corporate proposals

There were no corporate proposals being announced but not completed as at the date of this report.

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

### EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.

#### B8 Group borrowings

The borrowings by the Group as at 31 December 2020 are as follows:

		<u>As at 31 Dec 2020</u>	<u>As at 31 Dec 2019</u>
Term loans payable:		RM	RM
Within 12 months	-secured	8,208,499	47,046,451
More than 12 months	-secured	<u>38,248,790</u>	<u>8,332,744</u>
Total		46,457,289	55,379,195
Bank overdrafts	-secured	18,177,589	40,543,128
Share margin financing	-secured	3,133,249	-
		<u>67,768,127</u>	<u>95,922,323</u>
Hire Purchase/Finance lease:			
Within 12 months	-secured	823,255	762,144
More than 12 months	-secured	<u>1,134,645</u>	<u>462,260</u>
		1,957,900	1,224,404
Total borrowings		<u>69,726,027</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 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.

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

**EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.**

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 1<sup>st</sup> 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.

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



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

### EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.

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 Dividends

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

The Board of Directors did not recommend the payment of dividend for the current financial period.

#### 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>31 Dec 2020</u>	<u>31 Dec 2019</u>	<u>31 Dec 2020</u>	<u>year to date</u>
					<u>31 Dec 2019</u>
Profit (loss) attributable to the owners of the company	RM	(80,006)	(31,379,653)	98,763,593	(58,290,958)
Basic weighted average number of shares		190,207,546	173,219,859	189,056,047	173,219,859
Basic earnings per share	Sen	(0.04)	(18.12)	52.54	(33.65)
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 FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.

### 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 December 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 30,800 m/t of FFB (2019: 43,974 m/t).

The development expenditure and other assets and liabilities as at 31 December 2020 were as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	RM'000	RM'000
Property, plant and equipment	83,814	87,800
Right-of-use assets	2,059	2,101
Inventory and other assets	<u>1,267</u>	<u>1,065</u>
Total cost	<u>87,140</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,

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

### **EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.**

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<sup>th</sup> to 19<sup>th</sup> January 2018 and 1<sup>st</sup> and 2<sup>nd</sup> 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<sup>th</sup>, 10<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup> and 20<sup>th</sup> April 2018.

The trial on 9<sup>th</sup> and 10<sup>th</sup> April 2018 have been vacated by the court. Trial for the above continued on 17<sup>th</sup>, 18<sup>th</sup> and 20<sup>th</sup> April 2018 with the calling of Tr. Manggal Anak Jalang as the 1<sup>st</sup> defendant witness on 17<sup>th</sup> April 2018. As Tr. Manggal Anak Jalang was not feeling well on 18<sup>th</sup> April 2018 for his further cross examination, the Defendant counsel proceed to call Ipang Anak Banau as the Defendant 2<sup>nd</sup> 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<sup>th</sup> 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<sup>th</sup> to 17<sup>th</sup> May, 2018 and 11<sup>th</sup> to 14<sup>th</sup> 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.

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

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

### **EXPLANATORY NOTES TO THE FOURTH QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020.**

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.