

HARN LEN CORPORATION BHD (502606-H)

Financial Year End : 31 December 2021
 Quarter : First Quarter

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2021

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter 31/3/2021 RM	Preceding year corresponding quarter 31/3/2020 RM	Current year to date 31/3/2021 RM	Preceding year corresponding period 31/3/2020 RM
Revenue	35,486,166	27,699,746	35,486,166	27,699,746
Cost of sales	(31,804,318)	(22,257,808)	(31,804,318)	(22,257,808)
Gross profit	3,681,848	5,441,938	3,681,848	5,441,938
Other income	530,580	517,713	530,580	517,713
Distribution expenses	(2,538,499)	(2,037,252)	(2,538,499)	(2,037,252)
Administrative expenses	(5,796,698)	(10,299,071)	(5,796,698)	(10,299,071)
Results from operating activities	(4,122,769)	(6,376,672)	(4,122,769)	(6,376,672)
Finance costs	(1,492,483)	(2,128,157)	(1,492,483)	(2,128,157)
Interest income	100,708	-	100,708	-
Loss before tax	(5,514,544)	(8,504,829)	(5,514,544)	(8,504,829)
Income tax credit (expense)	294,995	(673,344)	294,995	(673,344)
Total comprehensive loss for the period	(5,219,549)	(9,178,173)	(5,219,549)	(9,178,173)
Loss attributable to ;				
Owners of the Company	(4,793,748)	(8,663,030)	(4,793,748)	(8,663,030)
Non-controlling interests	(425,801)	(515,143)	(425,801)	(515,143)
Loss for the period	(5,219,549)	(9,178,173)	(5,219,549)	(9,178,173)
Loss per share				
Basic (sen)	(2.52)	(5.00)	(2.52)	(5.00)
Diluted (sen)	(2.52)	(5.00)	(2.52)	(5.00)
Weighted average number of shares	190,205,359	173,219,859	190,205,359	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 2020 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	<u>As at 31/3/2021</u>	<u>As at 31/12/2020</u>
	RM	RM (AUDITED)
Assets		
Non-current assets		
Property, plant and equipment	203,860,775	207,586,923
Right-of-use assets	87,184,491	87,697,253
Investment properties	102,613,782	102,940,931
Other investments	2,500,000	2,500,000
Goodwill on consolidation	5,794,799	5,794,799
Total non-current assets	<u>401,953,847</u>	<u>406,519,906</u>
Current assets		
Biological assets	3,015,595	3,945,801
Inventories	5,367,853	5,240,307
Trade receivables	4,721,936	3,156,256
Other receivables	15,194,113	16,130,057
Amount owing from affiliated companies	5,411,350	2,664,295
Other investments	5,047,768	3,892,023
Tax recoverable	227,277	164,108
Cash and bank balances	22,820,570	37,939,207
	<u>61,806,462</u>	<u>73,132,054</u>
Assets classified as held for sale	3,321,000	3,321,000
Total current assets	<u>65,127,462</u>	<u>76,453,054</u>
Total assets	<u><u>467,081,309</u></u>	<u><u>482,972,960</u></u>
Equity and liabilities		
Capital and reserves		
Share capital	202,224,013	202,224,013
Reserves	117,873,412	122,667,160
Equity attributable to owners of the Company	<u>320,097,425</u>	<u>324,891,173</u>
Non-controlling interests	<u>(13,748,746)</u>	<u>(13,322,945)</u>
Total equity	<u>306,348,679</u>	<u>311,568,228</u>
Liabilities		
Non-current liabilities		
Deferred tax liabilities	17,541,430	17,829,034
Loans and borrowings	37,088,027	39,389,937
Lease liabilities	22,266,683	21,942,822
Total non-current liabilities	<u>76,896,140</u>	<u>79,161,793</u>
Current liabilities		
Trade payables	21,343,860	23,052,712
Other payables	25,200,058	34,583,038
Amount owing to affiliated companies	1,828,277	1,572,478
Loans and borrowings	32,933,304	30,336,092
Tax payables	2,530,991	2,698,619
Total current liabilities	<u>83,836,490</u>	<u>92,242,939</u>
Total liabilities	<u>160,732,630</u>	<u>171,404,732</u>
Total equity and liabilities	<u><u>467,081,309</u></u>	<u><u>482,972,960</u></u>
Net assets per share (sen)	161.06	164.80

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2021

	<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 2021	202,224,013	(5,892,395)	1,009,800	127,549,755	324,891,173	(13,322,945)	311,568,228
Total comprehensive loss for the period	-	-	-	(4,793,748)	(4,793,748)	(425,801)	(5,219,549)
Balance at 31 March 2021	202,224,013	(5,892,395)	1,009,800	122,756,007	320,097,425	(13,748,746)	306,348,679
At 1 January 2020	198,380,013	(9,871,127)	-	48,697,795	237,206,681	(12,663,263)	224,543,418
Total comprehensive loss for the period	-	-	-	(8,663,030)	(8,663,030)	(515,143)	(9,178,173)
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
Balance at 31 March 2020	198,380,013	(5,651,004)	346,010	38,687,102	231,762,121	(13,178,406)	218,583,715

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 FIRST QUARTER ENDED 31 MARCH 2021

	31/3/2021 RM	31/3/2020 RM
<u>Cash flows from operating activities</u>		
Loss before tax	(5,514,544)	(8,504,829)
<u>Adjustments for:</u>		
Depreciation and amortisation	5,108,937	4,896,176
Finance costs	1,492,483	2,128,157
Property, plant & equipment written off	6,325	-
Interest received	(100,708)	-
Loss on fair value of biological assets	930,206	644,337
Dividend income	(29,125)	-
Changes in fair value of quoted shares	(89,251)	-
Gain on disposal of property, plant & equipment	(12,998)	-
Share granted under ESS	-	2,872,460
Share option granted under ESS	-	346,010
Gain on disposal of asset classified as held for sale	-	(478,394)
Operating profit before changes in working capital	<u>1,791,325</u>	<u>1,903,917</u>
<u>Increase (Decrease) in working capital:-</u>		
Change in inventories	(127,546)	814,306
Change in trade debtors and other receivables	(629,736)	2,032,954
Change in trade creditors and other payables	(11,295,285)	12,420,156
Amount owing to affiliated companies	(2,491,256)	(2,117,762)
Cash (used in) generated from operations	<u>(12,752,498)</u>	<u>15,053,571</u>
Income tax paid	(223,406)	(117,314)
Net cash (used in) from operating activities	<u>(12,975,904)</u>	<u>14,936,257</u>
<u>Cash flows from investing activities</u>		
Acquisition of property, plant and equipment	(549,205)	(141,668)
Proceed from disposal of property, plant and equipment	13,000	-
Proceed from disposal of asset classified as held for sale	-	840,160
Net investments of quoted shares	(1,066,494)	-
Dividend received	29,125	-
Interest received	100,708	-
Changes in pledged deposits	(1,441)	-
Net cash (used in) from investing activities	<u>(1,474,307)</u>	<u>698,492</u>
<u>Cash flows from financing activities</u>		
Finance expenses paid	(965,169)	(1,513,320)
Repayment of loans and borrowings	(2,253,884)	(1,862,309)
Amount owing to a director	-	(225,000)
Net movements of share margin account	1,165,932	-
Net movement of bank overdrafts	1,383,254	(12,076,418)
Net cash used in financing activities	<u>(669,867)</u>	<u>(15,677,047)</u>
Net decrease in cash and bank balances	(15,120,078)	(42,298)
Cash and bank balances at beginning of period	35,542,583	1,232,472
Cash and bank balances at end of period	<u>20,422,505</u>	<u>1,190,174</u>
Cash and cash equivalents consist of the following:		
Cash and bank balances	22,820,570	1,579,191
Less: Deposits with licensed banks	(2,398,065)	(389,017)
	<u>20,422,505</u>	<u>1,190,174</u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 <u>31/3/2021</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING QUARTER <u>31/3/2020</u> RM '000	CURRENT YEAR TO DATE <u>31/3/2021</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING PERIOD <u>31/3/2020</u> RM '000
1 Revenue	35,486	27,700	35,486	27,700
2 Profit (loss) before taxation	(5,515)	(8,505)	(5,515)	(8,505)
3 Profit (loss) for the period	(5,220)	(9,178)	(5,220)	(9,178)
4 Profit (loss) attributable to ordinary equity holders of the parent	(4,794)	(8,663)	(4,794)	(8,663)
5 EPS-Basic (sen)	(2.52)	(5.00)	(2.52)	(5.00)
6 EPS-Diluted (sen)	(2.52)	(5.00)	(2.52)	(5.00)
7 Proposed/ Declared Dividend per share (sen)	-	-	-	-

	AS AT END OF CURRENT QUARTER <u>31/3/2021</u> RM (UNAUDITED)	AS AT END OF PRECEDING FINANCIAL YEAR END <u>31/12/2020</u> RM (AUDITED)
7 Net assets per share attributable to ordinary shareholders of the parent	1.61	1.65

Part A3-ADDITIONAL INFORMATION

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	CURRENT YEAR QUARTER <u>31/3/2021</u> RM '000	PRECEDING YEAR CORRESPONDING QUARTER <u>31/3/2020</u> RM '000	CURRENT YEAR TO DATE <u>31/3/2021</u> RM '000	PRECEDING YEAR CORRESPONDING PERIOD <u>31/3/2020</u> RM '000
1 Gross interest income	101	-	101	-
2 Gross interest expenses	(1,492)	(2,128)	(1,492)	(2,128)

Note: The summary of key financial information should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying notes to the interim financial statements.

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

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 2020.

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 2020 except for the adoption of new MFRSs, amendments to published standards and IC Interpretations for the Group for the financial year beginning 1 January 2021:

Amendments to MFRS 9, Financial Instruments; Interest Rate Benchmark Reform-Phase 2
MFRS 139, MFRS 7,
MFRS 4 & MFRS 16

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 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 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.

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

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 were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current financial period.

As at 31 March 2021, the number of treasury shares held was 8,104,800 and outstanding unexercised number of warrants was 51,965,924.

A7 Dividend paid

There were no dividend paid in the current financial period.

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.

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

Segment information

Period ended 31 March 2021

	<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	34,713,567	772,599	-	35,486,166
Inter-segment revenue	4,483,185	247,218	(4,730,403)	-
Total revenue	39,196,752	1,019,817	(4,730,403)	35,486,166
Segment results	(3,716,492)	(1,335,066)	-	(5,051,558)
Unallocated expenses				(462,986)
Loss before tax				(5,514,544)

<u>Assets</u>				
Reported segment assets	341,416,491	109,663,074	-	451,079,565
Corporate assets				16,001,744
Consolidated total assets				467,081,309
<u>Liabilities</u>				
Segment liabilities	129,064,699	24,007,575	-	153,072,274
Corporate liabilities				7,660,356
Total consolidated liabilities				160,732,630

Period ended 31 March 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	26,821,422	878,324	-	27,699,746
Inter-segment revenue	4,242,278	225,000	(4,467,278)	-
Total revenue	31,063,700	1,103,324	(4,467,278)	27,699,746
Segment results	(4,121,676)	(1,548,344)	-	(5,670,020)
Unallocated expenses				(2,834,809)
Loss before tax				(8,504,829)

<u>Assets</u>				
Reported segment assets	389,922,118	110,631,281	-	500,553,399
Corporate assets				6,082,210
Consolidated total assets				506,635,609
<u>Liabilities</u>				
Segment liabilities	251,611,209	27,380,473	-	278,991,682
Corporate liabilities				9,060,212
Total consolidated liabilities				288,051,894

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

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:

Property, plant and equipment:

	<u>(RM'000)</u>
Contracted but not provided for	3,106
Approved but not contracted for	7,866

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 March	
			2021 <u>RM'000</u>	2020 <u>RM'000</u>
Low Nam Hui and Sons Sdn Bhd	Affiliated company	Provision of management services	6	6
LNH Enterprise Sdn Bhd	Affiliated company	Provision of management services	9	9
Kanghui Travel Sdn Bhd	Affiliated company	Purchases of air tickets/insurance	-	5
Kanghui Travel Sdn Bhd	Affiliated company	Rental income	7	10
Advance Pinnacle Sdn Bhd	Affiliated company	Variable lease payment	(15)	3
Horn Lern (Merakai) Sdn Bhd	Affiliated company	Variable lease payment	114	115
Horn Lern (Semada) Sdn Bhd	Affiliated company	Variable lease payment	58	35
Horn Lern (Jerok) Sdn Bhd	Affiliated company	Variable lease payment	151	51
Horn Lern (Krangang) Sdn Bhd	Affiliated company	Variable lease payment	85	48

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

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

B1 Review of performance

For the 3 months ended 31 March 2021, the Group generated total revenue of RM35,486,166 (2020: RM27,699,746). The plantation operations contributed RM34,713,567 or 98%, (2020: RM26,821,422 or 97%). The property & other operations contributed RM772,599 or 2%, (2020: RM878,324 or 3%). The operating loss primarily due to lower CPO and PK sales volume despite better average selling price of CPO and PK achieved.

Plantation operations

The following are the production and sales for the period ended 31 March 2021:

	31-Mar-21	31-Mar-20
	<u>MT</u>	<u>MT</u>
FFB produced	18,066	24,472
FFB processed	38,795	37,109
CPO produced	7,644	7,926
PK produced	1,647	1,697
CPO sold	7,686	8,274
PK sold	1,666	1,698

The average selling price of CPO was RM3,559 per m/t (2020: RM2,690 per m/t), FFB was RM726 per m/t (2020: RM474 per m/t) and for PK, it was RM2,225 per m/t (2020: RM1,566 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 FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

B2 Comparison of results against preceding quarter

	Quarter to 31-Mar-2021 RM	Quarter to 31-Dec-2020 RM	% change
Revenue	35,486,166	39,111,114	-9%
Profit from operating activities	(4,122,769)	2,207,564	-287%

	Quarter to 31-Mar-2021 MT	Quarter to 31-Dec-2020 MT	% change
FFB processed	38,795	45,877	-15%
CPO produced	7,644	9,402	-19%
PK produced	1,647	1,892	-13%
CPO sold (m/t)	7,686	9,359	-18%
PK sold (m/t)	1,666	1,910	-13%
<i>Average selling price:</i>	RM/mt	RM/mt	
CPO	3,559	3,095	15%
PK	2,225	1,783	25%

The revenue generated in the current quarter was 9% lower than revenue in the preceding quarter mainly due to lower CPO & PK output & sales volume moving into the low crop season. Loss from operations mainly due to lower production and sales volume to breakeven despite significant improvement in average selling price of CPO and PK.

B3 Prospects

Malaysia’s economy in 2020 contracted 5.6% mainly due to weaker economic activities in most sectors, caused by the coronavirus disease 2019 (“COVID-19”) pandemic. Fast forward to 2021, Bank Negara Malaysia estimates the economy to expand between 6.0% to 7.5% on the back of stronger external demand and improving domestic activity, underpinned by the rollout of vaccines, a more stable business environment and accommodative policies. However, with the full lock down started on 1 June 2021 and the recently announced National Recovery Plan to exit COVID-19 pandemic, the economy outlook remains uncertain.

The Group will remain cautious and continue to chart out various strategies, which include efforts to increase efficiency and cost rationalization, to counter any negative impact to its business operations.

CPO price is currently hovering between RM3,400 to RM3,600 per m/t moving into the start of peak crop season despite the concern on adverse weather conditions that curb FFB yield and crop losses due to labour shortage remain unsettled. Moving into the second half of financial year 2021,

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

the CPO price is expected to soften with an estimated average selling price between RM3,100 to RM3,300 for the year, mainly due to better production levels and lower export demand.

B4 Profit forecast

The Group did not issue any profit forecast for the year ending 31 December 2021.

B5 Taxation

The taxation for the current financial period is as follows:

	<u>Current quarter ended</u> <u>31 Mar 2021</u>	<u>Preceding quarter ended</u> <u>31 Mar 2020</u>	<u>Current year to date ended</u> <u>31 Mar 2021</u>	<u>Preceding year to date ended</u> <u>31 Mar 2020</u>
<u>Income tax</u>				
Current year	7,391	(1,072,344)	7,391	(1,072,344)
<u>Deferred tax</u>				
Current year	287,604	399,000	287,604	399,000
Total	<u>294,995</u>	<u>(673,344)</u>	<u>294,995</u>	<u>(673,344)</u>

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>31 Mar 2021</u> <u>RM'000</u>	<u>Preceding quarter ended</u> <u>31 Mar 2020</u> <u>RM'000</u>	<u>Current year to date ended</u> <u>31 Mar 2021</u> <u>RM'000</u>	<u>Preceding year to date ended</u> <u>31 Mar 2020</u> <u>RM'000</u>
Charges:				
Depreciation & amortization	(5,109)	(4,896)	(5,109)	(4,896)
Interest expense	(1,492)	(2,128)	(1,492)	(2,128)
Property, plant and equipment written off	(6)	-	(6)	-
Loss on fair value of biological assets	(930)	(644)	(930)	(644)
Credits:				
Interest received	101	-	101	-
Net investment income	488	-	488	-
Gain on disposal of property, plant and equipment	13	-	13	-
Gain / (loss) on disposal of assets classified as held for sales	-	478	-	478

Other than above, there were no foreign exchange gain or loss for the current financial period.

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

B7 Status of Corporate proposals

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

B8 Group borrowings

The borrowings by the Group as at 31 March 2021 are as follows:

		<u>As at 31 Mar 2021</u>	<u>As at 31 Dec 2020</u>
Term loans payable:		RM	RM
Within 12 months	-secured	8,367,159	8,208,499
More than 12 months	-secured	36,061,365	38,248,790
Total		<u>44,428,524</u>	<u>46,457,289</u>
Bank overdrafts	-secured	19,560,843	18,177,589
Share margin financing	-secured	4,299,182	3,133,249
		<u>68,288,549</u>	<u>67,768,127</u>
Hire Purchase/Finance lease:			
Within 12 months	-secured	706,120	823,255
More than 12 months	-secured	1,026,662	1,134,645
		<u>1,732,782</u>	<u>1,957,900</u>
Total borrowings		<u>70,021,331</u>	<u>69,726,027</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

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

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.

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

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

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 rescheduled to 24 March 2021 and subsequently rescheduled further to 27 August 2021. Further development of the above matter will be announced in due course.

B10 Dividends

No dividend has been proposed or declared for the current financial period.

B11 Earnings per share

		<u>Current quarter</u> <u>ended</u> <u>31 Mar 2021</u>	<u>Preceding quarter</u> <u>ended</u> <u>31 Mar 2020</u>	<u>Cumulative year to</u> <u>date</u> <u>31 Mar 2021</u>	<u>Cumulative preceding</u> <u>year to date</u> <u>31 Mar 2020</u>
Profit (loss) attributable to the owners of the company	RM	(4,793,748)	(8,663,030)	(4,793,748)	(8,663,030)
Basic weighted average number of shares		190,205,359	173,219,859	190,205,359	173,219,859
Basic earnings (loss) per share	Sen	(2.52)	(5.00)	(2.52)	(5.00)
Diluted earnings (loss) per share	Sen	(2.52)	(5.00)	(2.52)	(5.00)

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

EXPLANATORY NOTES TO THE FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

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

Status of Progress of Joint Venture

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

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

The parties to the joint-venture company are: -

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

As at 31 March 2021, 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 4,732 m/t of FFB (2020: 6,729 m/t).

The development expenditure and other assets and liabilities as at 31 March 2021 were as follows:

	<u>31 Mar 2021</u>	<u>31 Dec 2020</u>
	RM'000	RM'000
Property, plant and equipment	82,573	83,814
Right-of-use assets	2,049	2,059
Inventory and other assets	<u>1,252</u>	<u>1,267</u>
Total cost	<u>85,874</u>	<u>87,140</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 FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

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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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 FIRST QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021.

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 rescheduled to 24 March 2021 and subsequently rescheduled further to 27 August 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.