

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

Financial Year End : 31 December 2021  
 Quarter : Second Quarter

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter 30-06-21 RM	Preceding year corresponding quarter 30-06-20 RM	Current year to date 30-06-21 RM	Preceding year corresponding period 30-06-20 RM
<b>Revenue</b>	53,238,426	18,962,279	88,724,592	46,662,025
Cost of sales	(44,410,855)	(15,943,649)	(76,215,173)	(38,201,457)
<b>Gross profit</b>	8,827,571	3,018,630	12,509,419	8,460,568
Other income	192,901	58,667	723,481	576,380
Distribution expenses	(3,684,568)	(1,799,916)	(6,223,067)	(3,837,168)
Administrative expenses	(6,643,884)	(5,534,390)	(12,440,582)	(15,833,461)
<b>Results from operating activities</b>	(1,307,980)	(4,257,009)	(5,430,749)	(10,633,681)
Finance costs	(1,313,898)	(2,223,410)	(2,806,381)	(4,351,567)
Interest income	46,814	205,864	147,522	205,864
Loss before tax	(2,575,064)	(6,274,555)	(8,089,608)	(14,779,384)
Income tax credit (expense)	(326,713)	(61,381)	(31,718)	(734,725)
<b>Total comprehensive loss for the period</b>	<b>(2,901,777)</b>	<b>(6,335,936)</b>	<b>(8,121,326)</b>	<b>(15,514,109)</b>
<b>Loss attributable to ;</b>				
Owners of the Company	(2,578,294)	(5,775,043)	(7,372,042)	(14,438,073)
Non-controlling interests	(323,483)	(560,893)	(749,284)	(1,076,036)
Loss for the period	(2,901,777)	(6,335,936)	(8,121,326)	(15,514,109)
<b>Loss per share</b>				
Basic (sen)	(1.36)	(3.33)	(3.88)	(8.34)
Diluted (sen)	(1.36)	(3.33)	(3.88)	(8.34)
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.

## HARN LEN CORPORATION BHD (502606-H)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	As at 30-6-2021 RM	As at 31-12-2020 RM (AUDITED)
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	200,456,404	207,586,923
Right-of-use assets	86,671,021	87,697,253
Investment properties	102,286,637	102,940,931
Other investments	2,500,000	2,500,000
Goodwill on consolidation	5,794,799	5,794,799
<b>Total non-current assets</b>	<u>397,708,861</u>	<u>406,519,906</u>
<b>Current assets</b>		
Biological assets	2,625,620	3,945,801
Inventories	5,915,842	5,240,307
Trade receivables	5,189,022	3,156,256
Other receivables	15,518,976	16,130,057
Amount owing from affiliated companies	8,827,213	2,664,295
Other investments	5,592,633	3,892,023
Tax recoverable	276,212	164,108
Cash and bank balances	16,951,663	37,939,207
	<u>60,897,181</u>	<u>73,132,054</u>
Assets classified as held for sale	-	3,321,000
<b>Total current assets</b>	<u>60,897,181</u>	<u>76,453,054</u>
<b>Total assets</b>	<u><u>458,606,042</u></u>	<u><u>482,972,960</u></u>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Share capital	202,224,013	202,224,013
Reserves	115,295,118	122,667,160
<b>Equity attributable to owners of the Company</b>	<u>317,519,131</u>	<u>324,891,173</u>
Non-controlling interests	(14,072,229)	(13,322,945)
<b>Total equity</b>	<u>303,446,902</u>	<u>311,568,228</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	17,443,339	17,829,034
Loans and borrowings	34,765,107	39,389,937
Lease liabilities	21,918,772	21,942,822
<b>Total non-current liabilities</b>	<u>74,127,218</u>	<u>79,161,793</u>
<b>Current liabilities</b>		
Trade payables	20,351,318	23,052,712
Other payables	22,333,679	34,583,038
Amount owing to affiliated companies	1,835,568	1,572,478
Loans and borrowings	33,589,973	30,336,092
Tax payables	2,921,384	2,698,619
<b>Total current liabilities</b>	<u>81,031,922</u>	<u>92,242,939</u>
<b>Total liabilities</b>	<u>155,159,140</u>	<u>171,404,732</u>
<b>Total equity and liabilities</b>	<u><u>458,606,042</u></u>	<u><u>482,972,960</u></u>
Net assets per share (sen)	159.54	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 SECOND QUARTER ENDED 30 JUNE 2021

	Share Capital RM	Treasury Shares RM	Share Option Reserve RM	Retained Profit (loss) RM	Total RM	Non-controlling Interests RM	Total Equity 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	-	-	-	(7,372,042)	(7,372,042)	(749,284)	(8,121,326)
<b>Balance at 30 June 2021</b>	<b>202,224,013</b>	<b>(5,892,395)</b>	<b>1,009,800</b>	<b>120,177,713</b>	<b>317,519,131</b>	<b>(14,072,229)</b>	<b>303,446,902</b>
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	-	-	-	(14,438,073)	(14,438,073)	(1,076,036)	(15,514,109)
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
<b>Balance at 31 June 2020</b>	<b>198,380,013</b>	<b>(5,651,004)</b>	<b>346,010</b>	<b>32,912,059</b>	<b>225,987,078</b>	<b>(13,739,299)</b>	<b>212,247,779</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 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 SECOND QUARTER ENDED 30 JUNE 2021

	30-06-21 RM	30-06-20 RM
<b><u>Cash flows from operating activities</u></b>		
Loss before tax	(8,089,608)	(14,779,384)
Adjustments for:		
Depreciation and amortisation	10,176,685	9,828,508
Finance costs	2,806,381	4,351,567
Property, plant & equipment written off	19,558	-
Interest received	(147,522)	(205,864)
Loss on fair value of biological assets	1,320,181	724,774
Dividend income	(61,625)	-
Changes in fair value of quoted shares	(189,839)	-
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	-	(511,389)
Operating profit before changes in working capital	<u>5,821,213</u>	<u>2,626,682</u>
<b><u>Increase (Decrease) in working capital:-</u></b>		
Change in inventories	(675,535)	504,634
Change in trade debtors and other receivables	(1,421,685)	3,391,763
Change in trade creditors and other payables	(15,309,425)	16,792,383
Amount owing to affiliated companies	<u>(5,899,828)</u>	<u>(3,047,639)</u>
<b>Cash (used in) generated from operations</b>	<u>(17,485,260)</u>	<u>20,267,823</u>
Income tax paid	<u>(306,753)</u>	<u>(123,310)</u>
<b>Net cash (used in) from operating activities</b>	<u>(17,792,013)</u>	<u>20,144,513</u>
<b><u>Cash flows from investing activities</u></b>		
Acquisition of property, plant and equipment	(1,374,445)	(295,017)
Proceed from disposal of property, plant and equipment	13,000	-
Proceed from disposal of asset classified as held for sale	3,321,000	873,160
Net investments of quoted shares	(1,510,771)	-
Dividend received	61,625	-
Interest received	147,522	205,864
Changes in pledged deposits	<u>(1,441)</u>	<u>(4,518)</u>
<b>Net cash (used in) from investing activities</b>	<u>656,490</u>	<u>779,489</u>
<b><u>Cash flows from financing activities</u></b>		
Finance expenses paid	(2,458,463)	(4,188,009)
Repayment of loans and borrowings	(4,567,993)	(4,146,828)
Payment of lease liabilities	(24,050)	-
Amount owing to a director	-	(240,000)
Net movements of share margin account	1,670,570	-
Net movement of bank overdrafts	<u>1,526,474</u>	<u>(12,122,549)</u>
<b>Net cash used in financing activities</b>	<u>(3,853,462)</u>	<u>(20,697,386)</u>
Net decrease in cash and bank balances	(20,988,985)	226,616
Cash and bank balances at beginning of period	35,542,583	1,232,472
Cash and bank balances at end of period	<u>14,553,598</u>	<u>1,459,088</u>
Cash and cash equivalents consist of the following:		
Cash and bank balances	16,951,663	1,852,623
Less: Deposits with licensed banks	<u>(2,398,065)</u>	<u>(393,535)</u>
	<u>14,553,598</u>	<u>1,459,088</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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	<u>30-06-21</u> RM '000 (UNAUDITED)	<u>30-06-20</u> RM '000	<u>30-06-21</u> RM '000 (UNAUDITED)	<u>30-06-20</u> RM '000
1 Revenue	53,238	18,962	88,725	46,662
2 Profit (loss) before taxation	(2,575)	(6,275)	(8,090)	(14,779)
3 Profit (loss) for the period	(2,902)	(6,336)	(8,121)	(15,514)
4 Profit (loss) attributable to ordinary equity holders of the parent	(2,578)	(5,775)	(7,372)	(14,438)
5 EPS-Basic (sen)	(1.36)	(3.33)	(3.88)	(8.34)
6 EPS-Diluted (sen)	(1.36)	(3.33)	(3.88)	(8.34)
7 Proposed/ Declared Dividend per share (sen)	-	-	-	-

	AS AT END OF CURRENT QUARTER <u>30-06-21</u> RM (UNAUDITED)	AS AT END OF PRECEDING FINANCIAL YEAR END 31/12/2020 RM (AUDITED)
8 Net assets per share attributable to ordinary shareholders of the parent	1.60	1.65

Part A3-ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	<u>30-06-21</u> RM '000	<u>30-06-20</u> RM '000	<u>30-06-21</u> RM '000	<u>30-06-20</u> RM '000
1 Gross interest income	47	206	148	206
2 Gross interest expenses	(1,314)	(2,223)	(2,806)	(4,352)

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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30 June 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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2021.**

**Segment information**

**Period ended 30 June 2021**

	<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	87,270,718	1,453,874	-	88,724,592
Inter-segment revenue	9,177,295	483,378	(9,660,673)	-
Total revenue	96,448,013	1,937,252	(9,660,673)	88,724,592
Segment results	(3,882,934)	(2,968,767)	-	(6,851,701)
Unallocated expenses				(1,237,907)
Loss before tax				(8,089,608)

<b><u>Assets</u></b>				
Reported segment assets	332,391,670	105,831,212	-	438,222,882
Corporate assets				20,383,160
Consolidated total assets				458,606,042
<b><u>Liabilities</u></b>				
Segment liabilities	124,223,667	22,884,206	-	147,107,873
Corporate liabilities				8,051,267
Total consolidated liabilities				155,159,140

**Period ended 30 June 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	45,182,244	1,479,781	-	46,662,025
Inter-segment revenue	7,664,464	445,000	(8,109,464)	-
Total revenue	52,846,708	1,924,781	(8,109,464)	46,662,025
Segment results	(7,965,262)	(2,731,111)	-	(10,696,373)
Unallocated expenses				(4,083,011)
Loss before tax				(14,779,384)

<b><u>Assets</u></b>				
Reported segment assets	375,843,664	121,388,838	-	497,232,502
Corporate assets				1,412,528
Consolidated total assets				498,645,030
<b><u>Liabilities</u></b>				
Segment liabilities	249,090,783	30,022,104	-	279,112,887
Corporate liabilities				7,284,364
Total consolidated liabilities				286,397,251



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

## EXPLANATORY NOTES TO THE SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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	2,553
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 30 June	
			2021	2020
			<u>RM'000</u>	<u>RM'000</u>
Low Nam Hui and Sons Sdn Bhd	Affiliated company	Provision of management services	12	12
LNH Enterprise Sdn Bhd	Affiliated company	Provision of management services	18	18
Kanghui Travel Sdn Bhd	Affiliated company	Purchases of air tickets/insurance	-	12
Kanghui Travel Sdn Bhd	Affiliated company	Rental income	7	16
Advance Pinnacle Sdn Bhd	Affiliated company	Variable lease payment	(10)	(12)
Horn Lern (Merakai) Sdn Bhd	Affiliated company	Variable lease payment	167	134
Horn Lern (Semada) Sdn Bhd	Affiliated company	Variable lease payment	103	61
Horn Lern (Jerok) Sdn Bhd	Affiliated company	Variable lease payment	219	58
Horn Lern (Krangan) Sdn Bhd	Affiliated company	Variable lease payment	121	77

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

## EXPLANATORY NOTES TO THE SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 6 months ended 30 June 2021, the Group generated total revenue of RM88,724,592 (2020: RM46,662,025). The plantation operations contributed RM87,270,718 or 98%, (2020: RM45,182,244 or 97%). The property & other operations contributed RM1,453,874 or 2%, (2020: RM1,479,781 or 3%). The operating loss primarily due to deterioration in CPO oil extraction rate despite better sales volume and average selling price of CPO and PK achieved.

#### Plantation operations

The following are the production and sales for the period ended 30 June 2021:

	<u>MT</u>	<u>MT</u>
FFB produced	37,875	50,323
FFB processed	90,865	67,595
CPO produced	18,149	14,226
PK produced	3,852	2,964
CPO sold	18,187	14,589
PK sold	3,835	2,987

The average selling price of CPO was RM3,775 per m/t (2020: RM2,509 per m/t), FFB was RM770 per m/t (2020: RM430 per m/t) and for PK, it was RM2,372 per m/t (2020: RM1,434 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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2021.

#### B2 Comparison of results against preceding quarter

	Quarter to 30-Jun-2021	Quarter to 31-Mar-2021	% change
	RM	RM	
Revenue	53,238,426	35,486,166	50%
Loss from operating activities	(1,307,898)	(4,122,769)	-68%

	Quarter to 30-Jun-2021	Quarter to 31-Mar-2021	% change
	MT	MT	
FFB processed	52,071	38,795	34%
CPO produced	10,505	7,644	37%
PK produced	2,206	1,647	34%
CPO sold (m/t)	10,501	7,686	37%
PK sold (m/t)	2,170	1,666	30%

<i>Average selling price:</i>	RM/mt	RM/mt	
CPO	3,933	3,559	11%
PK	2,484	2,225	12%

Revenue generated in the current quarter was 50% higher than revenue in the preceding quarter mainly due to higher sales volume and better average selling price of CPO & PK achieved. Loss from operations narrowed mainly due to higher production and sales volume of CPO and PK coupled with improvement in average selling price.

#### 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, the growth is adversely affected by several lock down being reimposed during 2021. Hence, the economy outlook remains uncertain and recovery is dependent on the successful implementation of National Recovery Plan to exit COVID-19 pandemic.

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 RM4,000 to RM4,300 per m/t despite moving into the peak crop season due 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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2021.

the CPO price is expected to soften with an estimated average selling price above RM3,500 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>30 Jun 2021</u>	<u>Preceding quarter ended</u> <u>30 Jun 2020</u>	<u>Current year to date ended</u> <u>30 Jun 2021</u>	<u>Preceding year to date ended</u> <u>30 Jun 2020</u>
<b><u>Income tax</u></b>				
Current year	(424,804)	(453,381)	(417,413)	(1,525,725)
<b><u>Deferred tax</u></b>				
Current year	98,091	392,000	385,695	791,000
<b>Total</b>	<b>(326,713)</b>	<b>(61,381)</b>	<b>(31,718)</b>	<b>(734,725)</b>

### 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>30 Jun 2021</u> <u>RM'000</u>	<u>Preceding quarter ended</u> <u>30 Jun 2020</u> <u>RM'000</u>	<u>Current year to date ended</u> <u>30 Jun 2021</u> <u>RM'000</u>	<u>Preceding year to date ended</u> <u>30 Jun 2020</u> <u>RM'000</u>
Charges:				
Depreciation & amortization	(5,068)	(4,933)	(10,177)	(9,829)
Interest expense	(1,314)	(2,224)	(2,806)	(4,352)
Property, plant and equipment written off	(14)	-	(20)	-
Loss on fair value of biological assets	(390)	(81)	(1,320)	(725)
Share granted under ESS	-	(2,872)	-	(2,872)
Share option granted under ESS	-	(346)	-	(346)
Credits:				
Interest received	47	206	148	206
Net investment income	211	-	699	-
Gain on disposal of property, plant and equipment	-	-	13	-
Gain / (loss) on disposal of assets classified as held for	-	33	-	511

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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30 June 2021 are as follows:

		<u>As at 30 Jun 2021</u>	<u>As at 31 Dec 2020</u>
Term loans payable:		RM	RM
Within 12 months	-secured	8,508,861	8,208,499
More than 12 months	-secured	33,824,628	38,248,792
Total		<u>42,333,489</u>	<u>46,457,291</u>
Bank overdrafts	-secured	19,704,063	18,177,589
Share margin financing	-secured	4,803,820	3,133,249
		<u>66,841,372</u>	<u>67,768,129</u>
Hire Purchase/Finance lease:			
Within 12 months	-secured	573,229	823,255
More than 12 months	-secured	940,479	1,134,645
		<u>1,513,708</u>	<u>1,957,900</u>
Total borrowings		<u>68,355,080</u>	<u>69,726,029</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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2021.**

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

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

### EXPLANATORY NOTES TO THE SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2021.

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. On 2 August 2021, the hearing was further rescheduled to 27 September 2021 by way of zoom. 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 ended</u> <u>30 June 2021</u>	<u>Preceding quarter ended</u> <u>30 June 2020</u>	<u>Cumulative year to date</u> <u>30 June 2021</u>	<u>Cumulative preceding year to date</u> <u>30 June 2020</u>
Profit (loss) attributable to the owners of the company	RM	(2,901,777)	(6,335,936)	(8,121,326)	(15,514,109)
Basic weighted average number of shares		190,205,359	173,219,859	190,205,359	173,219,859
Basic earnings (loss) per share	Sen	(1.36)	(3.33)	(3.88)	(8.34)
Diluted earnings (loss) per share	Sen	(1.36)	(3.33)	(3.88)	(8.34)

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

## EXPLANATORY NOTES TO THE SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30 June 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 8,917 m/t of FFB (2020: 13,838 m/t).

The development expenditure and other assets and liabilities as at 30 June 2021 were as follows:

	<u>30 Jun 2021</u>	<u>31 Dec 2020</u>
	RM'000	RM'000
Property, plant and equipment	81,338	83,814
Right-of-use assets	2,039	2,059
Inventory and other assets	<u>1,000</u>	<u>1,267</u>
Total cost	<u>84,377</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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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. On 2 August 2021, the hearing was further rescheduled to 27 September 2021 by way of zoom. 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.