

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

Financial Year End : 31 December 2021  
 Quarter : Third Quarter

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter	Preceding year	Current year	Preceding year
	30-09-21	corresponding quarter 30-09-20	to date 30-09-21	corresponding period 30-09-20
	RM	RM	RM	RM
<b>Revenue</b>	72,002,267	36,142,820	160,726,859	82,804,845
Cost of sales	(58,713,818)	(25,546,844)	(134,928,991)	(63,748,301)
<b>Gross profit</b>	13,288,449	10,595,976	25,797,868	19,056,544
Other income	1,519,994	131,838,620	2,243,475	132,415,000
Distribution expenses	(5,710,149)	(2,866,153)	(11,933,216)	(6,703,321)
Administrative expenses	(7,213,802)	(10,676,891)	(19,654,384)	(26,510,352)
Other expenses	(832,018)	(306,999)	(832,018)	(306,999)
<b>Results from operating activities</b>	1,052,474	128,584,553	(4,378,275)	117,950,872
Finance costs	(1,278,708)	(1,897,570)	(4,085,089)	(6,249,137)
Interest income	42,128	31,477	189,650	237,341
(Loss) profit before tax	(184,106)	126,718,460	(8,273,714)	111,939,076
Income tax expense	(249,381)	(13,304,980)	(281,099)	(14,039,705)
<b>Total comprehensive (loss) income for the period</b>	<b>(433,487)</b>	<b>113,413,480</b>	<b>(8,554,813)</b>	<b>97,899,371</b>
<b>(Loss) profit attributable to ;</b>				
Owners of the Company	(557,830)	113,281,672	(7,929,872)	98,843,599
Non-controlling interests	124,343	131,808	(624,941)	(944,228)
(Loss) profit for the period	(433,487)	113,413,480	(8,554,813)	97,899,371
<b>(Loss) profit per share</b>				
Basic (sen)	(0.29)	60.08	(4.16)	52.54
Diluted (sen)	(0.29)	60.08	(4.16)	52.54
Weighted average number of shares	190,752,989	188,558,282	190,752,989	188,125,291

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 SEPTEMBER 2021

	<u>As at 30-9-2021</u> RM	<u>As at 31-12-2020</u> RM (AUDITED)
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	196,015,249	207,586,923
Right-of-use assets	83,285,072	87,697,253
Investment properties	101,959,490	102,940,931
Other investments	3,200,000	2,500,000
Goodwill on consolidation	5,794,799	5,794,799
<b>Total non-current assets</b>	<u>390,254,610</u>	<u>406,519,906</u>
<b>Current assets</b>		
Biological assets	4,183,531	3,945,801
Inventories	5,832,487	5,240,307
Trade receivables	6,334,196	3,156,256
Other receivables	22,058,596	18,794,352
Other investments	4,136,289	3,892,023
Tax recoverable	174,162	164,108
Cash and bank balances	22,963,341	37,939,207
	<u>65,682,602</u>	<u>73,132,054</u>
Assets classified as held for sale	-	3,321,000
<b>Total current assets</b>	<u>65,682,602</u>	<u>76,453,054</u>
<b>Total assets</b>	<u><u>455,937,212</u></u>	<u><u>482,972,960</u></u>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Share capital	212,750,515	202,224,013
Reserves	114,358,208	122,667,160
<b>Equity attributable to owners of the Company</b>	<u>327,108,723</u>	<u>324,891,173</u>
Non-controlling interests	(13,947,886)	(13,322,945)
<b>Total equity</b>	<u>313,160,837</u>	<u>311,568,228</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	16,950,427	17,829,034
Loans and borrowings	32,437,521	39,389,937
Lease liabilities	17,998,005	21,942,822
<b>Total non-current liabilities</b>	<u>67,385,953</u>	<u>79,161,793</u>
<b>Current liabilities</b>		
Trade payables	20,684,722	23,052,712
Other payables	22,342,846	36,155,516
Loans and borrowings	31,787,312	30,336,092
Tax payables	575,542	2,698,619
<b>Total current liabilities</b>	<u>75,390,422</u>	<u>92,242,939</u>
<b>Total liabilities</b>	<u>142,776,375</u>	<u>171,404,732</u>
<b>Total equity and liabilities</b>	<u><u>455,937,212</u></u>	<u><u>482,972,960</u></u>
Net assets per share (sen)	164.17	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 THIRD QUARTER ENDED 30 SEPTEMBER 2021

	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 2021</b>	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	-	-	-	(7,929,872)	(7,929,872)	(624,941)	(8,554,813)
Issuance of shares	10,147,422	-	-	-	10,147,422	-	10,147,422
Transfer from share option reserve	379,080	-	(379,080)	-	-	-	-
<b>Balance at 30 September 2021</b>	<b>212,750,515</b>	<b>(5,892,395)</b>	<b>630,720</b>	<b>119,619,883</b>	<b>327,108,723</b>	<b>(13,947,886)</b>	<b>313,160,837</b>
<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	-	-	-	98,843,599	98,843,599	(944,228)	97,899,371
Issuance of shares	3,520,000	-	-	-	3,520,000	-	3,520,000
Purchase of treasury shares	-	(217,824)	-	-	(217,824)	-	(217,824)
Share option granted under ESS	-	-	346,010	-	346,010	-	346,010
Share granted under ESS	-	4,220,123	-	(1,347,663)	2,872,460	-	2,872,460
Transfer from share option reserve	84,000	-	(84,000)	-	-	-	-
Dividends	-	-	-	(18,563,966)	(18,563,966)	-	(18,563,966)
<b>Balance at 30 September 2020</b>	<b>201,984,013</b>	<b>(5,868,828)</b>	<b>262,010</b>	<b>127,629,765</b>	<b>324,006,960</b>	<b>(13,607,491)</b>	<b>310,399,469</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 THIRD QUARTER ENDED 30 SEPTEMBER 2021

	30-09-21 RM	30-09-20 RM
<b><u>Cash flows from operating activities</u></b>		
Loss before tax	(8,273,714)	111,939,076
<b>Adjustments for:</b>		
Depreciation and amortisation	15,162,017	14,564,542
Finance costs	4,085,089	6,249,137
Property, plant & equipment written off	218,530	129,600
Interest received	(189,650)	(237,341)
Gain on fair value of biological assets	(237,730)	(60,255)
Dividend income	(98,625)	-
Changes in fair value of quoted shares	34,485	306,999
Allowance for doubtful debts no longer required	(262,129)	-
Allowance for doubtful debts	173,850	-
Gain on sale of asset classified as held for sales	-	(132,122,769)
Gain on disposal of property, plant & equipment	(12,998)	(100,000)
Share granted under ESS	-	2,872,460
Share option granted under ESS	-	346,010
Gain from termination of lease liabilities	(1,269,060)	-
Operating profit before changes in working capital	9,330,065	3,887,459
<b><u>(Decrease) Increase in working capital:-</u></b>		
Change in inventories	(592,180)	391,423
Change in trade debtors and other receivables	(2,144,841)	(3,124,568)
Change in trade creditors and other payables	(14,517,553)	(39,242,125)
Amount owing to affiliated companies	(5,781,542)	(15,506,204)
<b>Cash generated used in operations</b>	<b>(13,706,051)</b>	<b>(53,594,015)</b>
Income tax paid	(3,395,574)	(7,726,256)
Income tax refunded	102,737	-
<b>Net cash used in operating activities</b>	<b>(16,998,888)</b>	<b>(61,320,271)</b>
<b><u>Cash flows (used in) from investing activities</u></b>		
Acquisition of property, plant and equipment	(1,879,524)	(1,203,728)
Purchase of investment securities	(700,000)	(2,500,000)
Placement of fixed deposit	(600,000)	(72,006,103)
Proceed from disposal of property, plant and equipment	13,000	100,000
Proceed from disposal of asset classified as held for sale	3,321,000	182,663,560
Net investments of quoted shares	(278,751)	-
Dividend received	98,625	-
Interest received	189,650	237,341
Changes in pledged deposits	(4,157)	(4,518)
<b>Net cash from investing activities</b>	<b>159,843</b>	<b>107,286,552</b>
<b><u>Cash flows (used in) from financing activities</u></b>		
Finance expenses paid	(3,387,204)	(5,868,401)
Issuance of shares	10,147,422	3,520,000
Treasury shares	-	(217,824)
Repayment of loans and borrowings	(6,812,713)	(7,601,457)
Amount owing to a director	-	(940,000)
Net movements of share margin account	937,637	-
Net movement of bank overdrafts	373,880	(20,478,379)
<b>Net cash from (used in) financing activities</b>	<b>1,259,022</b>	<b>(31,586,061)</b>
Net (decrease) increase in cash and bank balances	(15,580,023)	14,380,220
Cash and bank balances at beginning of period	35,542,583	1,232,472
Cash and bank balances at end of period	<u>19,962,560</u>	<u>15,612,692</u>
Cash and cash equivalents consist of the following:		
Cash and bank balances	22,963,341	88,012,330
Less: Deposits with licensed banks	(3,000,781)	(72,395,120)
	<u>19,962,560</u>	<u>15,617,210</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  <u>30-09-21</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING QUARTER  <u>30-09-20</u> RM '000	CURRENT YEAR TO DATE  <u>30-09-21</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING PERIOD  <u>30-09-20</u> RM '000
1 Revenue	72,002	36,143	160,727	82,805
2 Profit (loss) before taxation	(184)	126,718	(8,274)	111,939
3 Profit (loss) for the period	(433)	113,413	(8,555)	97,899
4 Profit (loss) attributable to ordinary equity holders of the parent	(558)	113,282	(7,930)	98,844
5 EPS-Basic (sen)	(0.29)	60.08	(4.16)	52.54
6 EPS-Diluted (sen)	(0.29)	60.08	(4.16)	52.54
7 Proposed/ Declared Dividend per share (sen)	-	-	-	-

	AS AT END OF CURRENT QUARTER <u>30-09-21</u> RM (UNAUDITED)	AS AT END OF PRECEDING FINANCIAL YEAR END <u>31-12-20</u> RM (AUDITED)
8 Net assets per share attributable to ordinary shareholders of the parent	1.64	1.65

Part A3-ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER  <u>30-09-21</u> RM '000	PRECEDING YEAR CORRESPONDING QUARTER  <u>30-09-20</u> RM '000	CURRENT YEAR TO DATE  <u>30-09-21</u> RM '000	PRECEDING YEAR CORRESPONDING PERIOD  <u>30-09-20</u> RM '000
1 Gross interest income	42	31	190	237
2 Gross interest expenses	(1,279)	(1,898)	(4,085)	(6,249)

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 THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 except for the following:

i) Employee Share Scheme (“ESS”)

During the current financial period, the Company issued 1,404,000 new ordinary shares for cash at RM842,400 pursuant to the exercise of share option granted under the ESS.

ii) Warrants

During the current financial period, the Company issued 15,508,369 new ordinary shares for cash at RM9,305,022 pursuant to the exercise of warrants. The outstanding unexercised number of warrants was 36,457,555.

As at 30 September 2021, the number of treasury shares held was 8,104,800.

#### **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.

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

## EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2021.

### Business segments.

Segment activities are as follows:

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

Property and others : Property investment and others

Segmental results, assets and liabilities include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest earning assets and revenue, interest bearing loans, borrowings and expenses and corporate assets and liabilities.

### Segment information

#### Period ended 30 September 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	159,077,435	1,649,424	-	160,726,859
Inter-segment revenue	14,967,464	721,939	(15,689,403)	-
Total revenue	174,044,899	2,371,363	(15,689,403)	160,726,859
Segment results	(2,159,370)	(5,251,233)	-	(7,410,603)
Unallocated expenses				(863,111)
Loss before tax				(8,273,714)

<u>Assets</u>				
Reported segment assets	328,830,690	111,518,430	-	440,349,120
Corporate assets				15,588,092
Consolidated total assets				455,937,212
<u>Liabilities</u>				
Segment liabilities	113,569,416	22,306,257	-	135,875,673
Corporate liabilities				6,900,702
Total consolidated liabilities				142,776,375

**HARN LEN CORPORATION BHD (“Harn Len” or “the Company”) (502606-H)****EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2021.****Period ended 30 September 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	80,553,979	2,250,866	-	82,804,845
Inter-segment revenue	13,079,335	670,000	(13,749,335)	-
Total revenue	93,633,314	2,920,866	(13,749,335)	82,804,845
Segment results	118,433,590	(5,271,596)	-	113,161,994
Unallocated expenses				(1,222,918)
Profit before tax				111,939,076

<b><u>Assets</u></b>				
Reported segment assets	423,667,072	115,409,258	-	539,076,330
Corporate assets				7,821,528
Consolidated total assets				546,897,858
<b><u>Liabilities</u></b>				
Segment liabilities	183,577,196	27,194,156	-	210,771,352
Corporate liabilities				25,727,037
Total consolidated liabilities				236,498,389

**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.

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

## EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2021.

### 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	3,197
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 September	
			2021 <u>RM'000</u>	2020 <u>RM'000</u>
Low Nam Hui and Sons Sdn Bhd	Affiliated company	Provision of management services	14	18
LNH Enterprise Sdn Bhd	Affiliated company	Provision of management services	21	27
Kanghui Travel Sdn Bhd	Affiliated company	Purchases of air tickets/insurance	-	16
Kanghui Travel Sdn Bhd	Affiliated company	Rental income	7	26
Advance Pinnacle Sdn Bhd	Affiliated company	Variable lease payment	98	78
Horn Lern (Merakai) Sdn Bhd	Affiliated company	Variable lease payment	368	210
Horn Lern (Semada) Sdn Bhd	Affiliated company	Variable lease payment	256	109
Horn Lern (Jerok) Sdn Bhd	Affiliated company	Variable lease payment	441	120
Horn Lern (Krangan) Sdn Bhd	Affiliated company	Variable lease payment	251	114

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

## EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 9 months ended 30 September 2021, the Group generated total revenue of RM160,726,859 (2020: RM82,804,845). The plantation operations contributed RM159,099,435 or 99%, (2020: RM80,553,979 or 97%). The property & other operations contributed RM1,649,424 or 1%, (2020: RM2,250,866 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 September 2021:

	30-Sep-21	30-Sep-20
	<u>MT</u>	<u>MT</u>
FFB produced	58,726	84,352
FFB processed	164,393	118,475
CPO produced	32,704	24,386
PK produced	6,869	5,160
CPO sold	32,743	24,629
PK sold	6,769	5,140

The average selling price of CPO was RM3,919 per m/t (2020: RM2,575 per m/t), FFB was RM789 per m/t (2020: RM459 per m/t) and for PK, it was RM2,347 per m/t (2020: RM1,390 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 THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2021.

### B2 Comparison of results against preceding quarter

	Quarter to 30-Sep-2021	Quarter to 30-Jun-2021	% change
	RM	RM	
Revenue	72,002,267	53,238,426	35%
Profit (Loss) from operating activities	1,052,474	(1,307,898)	180%

	Quarter to 30-Sep-2021	Quarter to 30-Jun-2021	% change
	MT	MT	
FFB processed	73,527	52,071	41%
CPO produced	14,555	10,505	39%
PK produced	3,016	2,206	37%
CPO sold (m/t)	14,556	10,501	39%
PK sold (m/t)	2,933	2,170	35%
<i>Average selling price:</i>	RM/mt	RM/mt	
CPO	4,099	3,933	4%
PK	2,316	2,484	-7%

Revenue generated in the current quarter was 35% higher than revenue in the preceding quarter mainly due to higher sales volume. Profit from operations was mainly due to higher production and sales volume of CPO and PK coupled with improvement in average selling price of CPO.

### 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 RM5,000 to RM5,200 per m/t due the concern on adverse weather conditions that curb FFB yield and crop losses due to labour shortage remain unsettled. Moving into the last quarter of financial year 2021, the CPO price is expected to soften with an estimated average selling price above RM3,800 for the year.

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

## EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2021.

### 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> 30 Sep 2021	<u>Preceding quarter ended</u> 30 Sep 2020	<u>Current year to date ended</u> 30 Sep 2021	<u>Preceding year to date ended</u> 30 Sep 2020
<b><u>Income tax</u></b>				
Current year	(742,294)	(735,739)	(1,159,707)	(2,261,464)
<b><u>Deferred tax</u></b>				
Current year	492,913	332,820	878,608	1,123,820
Real Property Gain Tax ("RPGT")	-	(12,902,061)	-	(12,902,061)
<b>Total</b>	<b>(249,381)</b>	<b>(13,304,980)</b>	<b>(281,099)</b>	<b>(14,039,705)</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> 30 Sep 2021 <u>RM'000</u>	<u>Preceding quarter ended</u> 30 Sep 2020 <u>RM'000</u>	<u>Current year to date ended</u> 30 Sep 2021 <u>RM'000</u>	<u>Preceding year to date ended</u> 30 Sep 2020 <u>RM'000</u>
<b>Charges:</b>				
Depreciation & amortization	(4,985)	(4,735)	(15,162)	(14,564)
Interest expense	(1,279)	(1,897)	(4,085)	(6,249)
Property, plant and equipment written off	(199)	(130)	(219)	(130)
Share granted under ESS	-	-	-	(2,872)
Share option granted under ESS	-	-	-	(346)
<b>Credits:</b>				
Interest received	42	(31)	190	237
Net investment income	38	-	737	-
Gain on disposal of property, plant and equipment	-	100	13	100
Gain on disposal of assets classified as held for sales	-	131,612	-	132,123
Gain on fair value of biological assets	1,558	785	238	60

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 THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2021 are as follows:

		<u>As at 30 Sep 2021</u>	<u>As at 31 Dec 2020</u>
Term loans payable:		RM	RM
Within 12 months	-secured	8,699,816	8,208,499
More than 12 months	-secured	<u>31,567,224</u>	<u>38,248,792</u>
Total		40,267,040	46,457,291
Bank overdrafts	-secured	18,551,469	18,177,589
Share margin financing	-secured	4,070,887	3,133,249
		<u>62,889,396</u>	<u>67,768,129</u>
Hire Purchase/Finance lease:			
Within 12 months	-secured	465,140	823,255
More than 12 months	-secured	<u>870,297</u>	<u>1,134,645</u>
		1,335,437	1,957,900
Total borrowings		<u>64,224,833</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 Benganan 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 THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 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. Manggal 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 on 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 THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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. On 2 August 2021, the hearing was further rescheduled to 27 September 2021 by way of zoom. The decision of the hearing had been fixed on 24 November 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 ended</u> <u>30 Sep 2021</u>	<u>Preceding quarter ended</u> <u>30 Sep 2020</u>	<u>Cumulative year to date</u> <u>30 Sep 2021</u>	<u>Cumulative preceding year to date</u> <u>30 Sep 2020</u>
Profit (loss) attributable to the owners of the company	RM	(433,487)	113,413,480	(8,554,813)	97,899,371
Basic weighted average number of shares		190,752,989	188,558,282	190,752,989	188,125,291
Basic earnings (loss) per share	Sen	(0.29)	60.08	(4.16)	52.54
Diluted earnings (loss) per share	Sen	(0.29)	60.08	(4.16)	52.54

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

## EXPLANATORY NOTES TO THE THIRD QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 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 14,146 m/t of FFB (2020: 23,394 m/t).

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

	<u>30 Sep 2021</u>	<u>31 Dec 2020</u>
	RM'000	RM'000
Property, plant and equipment	79,933	83,814
Right-of-use assets	2,028	2,059
Inventory and other assets	<u>1,018</u>	<u>1,267</u>
Total cost	<u>82,979</u>	<u>87,140</u>

#### Material Litigations:

Refer to Part B9 of the explanatory notes.