

HARN LEN CORPORATION BHD (502606-H)

Financial Year End : 30 June 2022
 Quarter : Second Quarter

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2022

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter	Preceding year	Current year	Preceding year
	30/6/2022	corresponding quarter 30/6/2021	to date 30/6/2022	corresponding period 30/6/2021
	RM	RM	RM	RM
Revenue	75,448,197	53,238,426	113,574,749	88,724,592
Cost of sales	(56,801,328)	(44,410,855)	(85,982,607)	(76,215,173)
Gross profit	18,646,869	8,827,571	27,592,142	12,509,419
Other income	234,010	192,901	659,857	855,481
Distribution expenses	(5,656,843)	(3,684,568)	(8,973,323)	(6,223,067)
Administrative expenses	(6,645,461)	(6,643,884)	(12,669,295)	(12,440,582)
Other expenses	(1,082,070)	-	(1,391,650)	(132,000)
Results from operating activities	5,496,505	(1,307,980)	5,217,731	(5,430,749)
Finance costs	(1,103,296)	(1,313,898)	(2,234,387)	(2,806,381)
Interest income	43,114	46,814	84,347	147,522
Profit (Loss) before tax	4,436,323	(2,575,064)	3,067,691	(8,089,608)
Income tax credit (expense)	122,708	(326,713)	565,240	(31,718)
Total comprehensive income (loss) for the period	4,559,031	(2,901,777)	3,632,931	(8,121,326)
Profit (Loss) attributable to ;				
Owners of the Company	4,925,605	(2,578,294)	4,096,622	(7,372,042)
Non-controlling interests	(366,574)	(323,483)	(463,691)	(749,284)
Profit (Loss) for the period	4,559,031	(2,901,777)	3,632,931	(8,121,326)
Total comprehensive income (loss) attributable to:-				
Owners of the Company	4,925,605	(2,578,294)	4,096,622	(7,372,042)
Non-controlling interests	(366,574)	(323,483)	(463,691)	(749,284)
Total comprehensive income (loss) for the period	4,559,031	(2,901,777)	3,632,931	(8,121,326)
Profit (Loss) per share				
Basic (sen)	2.43	(1.39)	2.02	(3.97)
Diluted (sen)	2.23	(1.39)	1.88	(3.97)
Weighted average number of shares	203,105,252	185,572,359	202,995,599	185,572,359

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 2021 and the accompanying explanatory notes attached to the interim financial statements.

HARN LEN CORPORATION BHD (502606-H)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	<u>As at 30/6/2022</u>	<u>As at 31/12/2021</u>
	RM	RM (AUDITED)
Assets		
Non-current assets		
Property, plant and equipment	186,424,136	192,311,487
Right-of-use assets	81,782,776	82,783,735
Investment properties	100,978,049	101,632,343
Other investments	2,349,745	2,349,745
Goodwill on consolidation	5,794,799	5,794,799
Total non-current assets	<u>377,329,505</u>	<u>384,872,109</u>
Current assets		
Biological assets	5,365,075	4,838,216
Inventories	6,050,537	4,988,196
Trade receivables	7,188,790	5,206,145
Other receivables	7,554,454	3,214,386
Other investments	4,112,723	5,013,009
Tax recoverable	5,395,234	3,397,917
Cash and bank balances	22,368,110	25,055,374
Total current assets	<u>58,034,923</u>	<u>51,713,243</u>
Total assets	<u><u>435,364,428</u></u>	<u><u>436,585,352</u></u>
<u>Equity and liabilities</u>		
Capital and reserves		
Share capital	212,973,475	212,750,515
Reserves	103,733,165	99,611,553
Equity attributable to owners of the Company	<u>316,706,640</u>	<u>312,362,068</u>
Non-controlling interests	(14,576,029)	(14,112,338)
Total equity	<u>302,130,611</u>	<u>298,249,730</u>
Liabilities		
Non-current liabilities		
Deferred tax liabilities	15,684,906	16,302,313
Loans and borrowings	23,167,699	25,659,581
Lease liabilities	18,345,348	18,515,117
Total non-current liabilities	<u>57,197,953</u>	<u>60,477,011</u>
Current liabilities		
Trade payables	23,881,164	19,310,580
Other payables	20,549,170	22,063,097
Loans and borrowings	31,293,138	36,090,681
Tax payables	12,362	13,043
Lease liabilities	300,030	381,210
Total current liabilities	<u>76,035,864</u>	<u>77,858,611</u>
Total liabilities	<u>133,233,817</u>	<u>138,335,622</u>
Total equity and liabilities	<u><u>435,364,428</u></u>	<u><u>436,585,352</u></u>
Net assets per share (sen)	148.84	156.58

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

HARN LEN CORPORATION BHD (502606-H)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2022

	<u>Share Capital RM</u>	<u>Treasury Shares RM</u>	<u>Share Option Reserve RM</u>	<u>Fair Value Reserve of Financial Assets at FVOCI RM</u>	<u>Retained Earnings RM</u>	<u>Total RM</u>	<u>Non-controlling Interests RM</u>	<u>Total Equity RM</u>
Balance at 1 January 2022	212,750,515	(5,528,949)	722,670	(850,255)	105,268,087	312,362,068	(14,112,338)	298,249,730
Profit for the period	-	-	-	-	4,096,622	4,096,622	(463,691)	3,632,931
Issuance of shares	222,960	-	-	-	-	222,960	-	222,960
Share option lapsed	-	-	(810)	-	-	(810)	-	(810)
Transfer from share option reserve	-	39,070	(11,610)	-	(1,660)	25,800	-	25,800
Balance at 30 June 2022	212,973,475	(5,489,879)	710,250	(850,255)	109,363,049	316,706,640	(14,576,029)	302,130,611
Balance 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
Loss for the period	-	-	-	-	(7,372,042)	(7,372,042)	(749,284)	(8,121,326)
Balance at 30 June 2021	202,224,013	(5,892,395)	1,009,800	-	120,177,713	317,519,131	(14,072,229)	303,446,902

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 2022

	30/6/2022	30/6/2021
	RM	RM
<u>Cash flows from operating activities</u>		
Profit (Loss) before tax	3,067,691	(8,089,608)
Adjustments for:		
Depreciation and amortisation	9,526,217	10,176,685
Finance costs	2,234,387	2,806,381
Property, plant and equipment written off	48,775	19,558
Interest income	(84,347)	(147,522)
(Gain) loss on fair value of biological assets	(526,859)	1,320,181
Dividend income	(52,000)	(61,625)
Changes in fair value of quoted shares	1,091,276	(189,839)
Allowance for expected credit losses on trade receivables	300,000	-
Gain on disposal of property, plant & equipment	-	(12,998)
Share option lapsed	(810)	-
Operating profit before changes in working capital	<u>15,604,330</u>	<u>5,821,213</u>
<u>Changes in working capital</u>		
Change in inventories	(1,062,341)	(675,535)
Change in trade and other receivables	(6,622,713)	(7,584,603)
Change in trade and other payables	<u>3,061,377</u>	<u>(15,046,335)</u>
Cash generated from (used in) operations	10,980,653	(17,485,260)
Income tax paid	<u>(2,050,165)</u>	<u>(306,753)</u>
Net cash generated from (used in) operating activities	8,930,488	(17,792,013)
<u>Cash flows (used in) from investing activities</u>		
Acquisition of property, plant and equipment	(2,032,388)	(1,374,445)
Proceed from disposal of property, plant and equipment	-	13,000
Proceed from disposal of asset classified as held for sale	-	3,321,000
Net investments of quoted shares	(190,990)	(1,510,771)
Dividend received	52,000	61,625
Interest received	84,347	147,522
Changes in pledged deposits	<u>(2,794)</u>	<u>(1,441)</u>
Net cash (used in) from investing activities	(2,089,825)	656,490
<u>Cash flows (used in) from financing activities</u>		
Finance expenses paid	(2,239,108)	(2,458,463)
Issuance of shares	248,760	-
Repayment of loans and borrowings	(4,408,546)	(4,123,800)
Repayment of principal portion of lease liabilities	(250,949)	(468,243)
Net movements of share margin account	169,773	1,670,570
Net movements of bank overdrafts	<u>(3,050,651)</u>	<u>1,526,474</u>
Net cash used in financing activities	(9,530,721)	(3,853,462)
Net decrease in cash and bank balances	(2,690,058)	(20,988,985)
Cash and bank balances at beginning of period	22,001,816	35,542,583
Cash and bank balances at end of period	<u><u>19,311,758</u></u>	<u><u>14,553,598</u></u>
Cash and cash equivalents consist of the following:		
Cash and bank balances	22,368,110	16,951,663
Less: Deposits with licensed banks	<u>(3,056,352)</u>	<u>(2,398,065)</u>
	<u><u>19,311,758</u></u>	<u><u>14,553,598</u></u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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>30/6/2022</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING QUARTER <u>30/6/2021</u> RM '000	CURRENT YEAR TO DATE <u>30/6/2022</u> RM '000 (UNAUDITED)	PRECEDING YEAR CORRESPONDING PERIOD <u>30/6/2021</u> RM '000
1 Revenue	75,448	53,238	113,575	88,725
2 Profit (Loss) before taxation	4,436	(2,575)	3,068	(8,090)
3 Profit (Loss) for the period	4,559	(2,902)	3,633	(8,121)
4 Profit (Loss) attributable to ordinary equity holders of the parent	4,926	(2,578)	4,097	(7,372)
5 EPS-Basic (sen)	2.43	(1.39)	2.02	(3.97)
6 EPS-Diluted (sen)	2.23	(1.39)	1.88	(3.97)
7 Proposed/ Declared Dividend per share (sen)	-	-	-	-

	AS AT END OF CURRENT QUARTER <u>30/6/2022</u> RM (UNAUDITED)	AS AT END OF PRECEDING FINANCIAL YEAR END <u>31/12/2021</u> RM (AUDITED)
8 Net assets per share attributable to ordinary shareholders of the parent	1.49	1.57

Part A3-ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER <u>30/6/2022</u> RM '000	PRECEDING YEAR CORRESPONDING QUARTER <u>30/6/2021</u> RM '000	CURRENT YEAR TO DATE <u>30/6/2022</u> RM '000	PRECEDING YEAR CORRESPONDING PERIOD <u>30/6/2021</u> RM '000
1 Gross interest income	43	47	84	148
2 Gross interest expenses	(1,103)	(1,314)	(2,234)	(2,806)

Note: The summary of key financial information should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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 2022.

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 2021.

A2 Significant Accounting Policies

(a) Adoption of new or revised MFRS

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 2021 except for the adoption of the following new MFRSs and amendments to published standards for the Group for the financial year beginning 1 January 2022:

(i) Effective for financial period beginning on or after 1 January 2022

- Amendments to MFRS 3 Business Combinations - *Reference to the Conceptual Framework*
- Amendments to MFRS 116 Property, Plant and Equipment - *Proceeds before Intended Use*
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - *Onerous Contract-Cost of Fulfilling a Contract*
- Annual Improvements to MFRS Standards 2018-2020

(b) Standard issued but not yet effective

At the date of authorisation of this interim financial statement, the MASB has approved certain new standards, amendments and interpretations to existing standards which are not yet effective, and have not been early adopted by the Group as follows:

(i) Effective for financial period beginning on or after 1 January 2023

- MFRS 17 Insurance Contracts*
- Amendments to MFRS 4 Insurance Contracts – *Extension of the Temporary Exemption from Applying MFRS 9**
- Amendments to MFRS 17 Insurance Contracts*
- Amendments to MFRS 17 – Initial Application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101 Presentation of Financial Statements - *Classification of Liabilities as Current or Non-Current*
- Amendments to MFRS 101 Presentation of Financial Statements – *Disclosure of Accounting Policies*
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - *Definition of Accounting Estimates*
- Amendments to MFRS 112 Income Taxes – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

EXPLANATORY NOTES TO THE SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2022.

A2 Significant Accounting Policies (cont’d)

(ii) Deferred to a date to be determined by the MASB

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

*Not applicable to the Group’s operations

The adoption of the above MFRSs and amendments to published standards 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.

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) Treasury shares

During the current financial period, a total of 43,000 treasury shares were transferred to options exercised under the Employee Share Option Scheme and the loss had been recorded in the retained earnings account of the Company.

As at 30 June 2022, the number of treasury shares held was 7,661,800.

ii) Warrants

During the current financial period, the Company issued 371,600 new ordinary shares for cash at RM222,960 pursuant to the exercise of warrants.

As at 30 June 2022, the outstanding unexercised number of warrants was 36,085,955.

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 2022.

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 dividend, interest income and expenses on corporate investment, directors’ remuneration as well as corporate assets and liabilities.

Segment information

Period ended 30 June 2022

	<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	111,942,755	1,631,994	-	113,574,749
Inter-segment revenue	11,604,302	464,519	(12,068,821)	-
Total revenue	123,547,057	2,096,513	(12,068,821)	113,574,749
Segment results	8,803,376	(3,029,830)	-	5,773,546
Unallocated expenses				(2,705,855)
Profit before tax				3,067,691

<u>Assets</u>				
Segment assets	313,927,172	109,521,978	-	423,449,150
Corporate assets				11,915,278
Consolidated total assets				435,364,428
<u>Liabilities</u>				
Segment liabilities	104,051,508	18,996,660	-	123,048,168
Corporate liabilities				10,185,649
Consolidated total liabilities				133,233,817

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 2022.****A8 Operating segments (cont’d)****Segment information (cont’d)****Period ended 30 June 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	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)
<u>Assets</u>				
Segment assets	332,391,670	105,831,212	-	438,222,882
Corporate assets				20,383,160
Consolidated total assets				458,606,042
<u>Liabilities</u>				
Segment liabilities	124,223,667	22,884,206	-	147,107,873
Corporate liabilities				8,051,267
Consolidated total liabilities				155,159,140

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

On 8 July 2022, the Company entered into a Sale and Purchase Agreement with a related party for the acquisition of a parcel of titled freehold land measuring approximately 3.8445 hectares in the Mukim of Tebrau, District of Johor Bahru for cash consideration of RM4,500,000. As at the end of current financial period, the acquisition has yet to be completed.

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 SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2022.

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	835
Approved but not contracted for	3,280

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	
			2022 <u>RM'000</u>	2021 <u>RM'000</u>
Low Nam Hui and Sons Sdn Bhd	Affiliated company	Provision of management services	-	12
LNH Enterprise Sdn Bhd	Affiliated company	Provision of management services	-	18
Kanghui Travel Sdn Bhd	Affiliated company	Rental income	-	7
Advance Pinnacle Sdn Bhd	Affiliated company	Variable lease payment	259	(10)
Horn Lern (Merakai) Sdn Bhd	Affiliated company	Variable lease payment	315	167
Horn Lern (Semada) Sdn Bhd	Affiliated company	Variable lease payment	242	103
Horn Lern (Jerok) Sdn Bhd	Affiliated company	Variable lease payment	314	219
Horn Lern (Krangan) Sdn Bhd	Affiliated company	Variable lease payment	222	121

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 2022.

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 2022, the Group generated total revenue of RM113,574,749 (2021: RM88,724,592). The plantation operations contributed RM111,942,755 or 99%, (2021: RM87,270,718 or 98%). The property and other operations contributed RM1,631,994 or 1%, (2021: RM1,453,874 or 2%).

The operating profit was primarily due to better average selling price of CPO and PK despite lower CPO and PK sales volume. In additions, losses incurred from property operation continue largely due to low occupancy rate of investment properties.

Plantation operations

The following are the production and sales for the period ended 30 June 2022:

	30-Jun-22	30-Jun-21
	<u>MT</u>	<u>MT</u>
FFB produced	36,122	37,875
FFB processed	73,705	90,865
CPO produced	14,316	18,149
PK produced	3,091	3,852
CPO sold	14,101	18,187
PK sold	3,011	3,835

The average selling price of CPO was RM6,245 per m/t (2021: RM3,775 per m/t), FFB was RM1,290 per m/t (2021: RM770 per m/t) and for PK, it was RM3,615 per m/t (2021: RM2,372 per m/t).

Property and other operations

The property and other operations comprise of property investment and food and beverage business with 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 comprising 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 2022.

B2 Comparison of results against preceding quarter

	Quarter to 30-Jun-2022	Quarter to 31-Mar-2022	% change
	RM	RM	
Revenue	75,448,197	38,126,552	98%
Profit (Loss) from operating activities	5,496,505	(278,774)	2072%
	Quarter to 30-Jun-2022	Quarter to 31-Mar-2022	% change
	MT	MT	
FFB processed	48,847	24,858	97%
CPO produced	9,410	4,906	92%
PK produced	1,974	1,117	77%
CPO sold (m/t)	9,208	4,893	88%
PK sold (m/t)	1,918	1,093	75%
<i>Average selling price:</i>	RM/mt	RM/mt	% change
CPO	6,245	4,939	26%
PK	3,615	4,129	-12%

Revenue generated in the current quarter was 98% higher than revenue in the preceding quarter mainly due to higher production and sales volume of CPO and PK. Profit from operations was mainly due to higher CPO sales volume and better average selling price of CPO achieved.

B3 Prospects

Malaysia’s economy is set to a gradual recovery moving into 2022 with 6.9% GDP growth projected by Bank Negara Malaysia. However, the recovery is likely to be slower and will be dependent on the implication of the COVID-19 pandemic recovery effort.

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 RM3,700 to RM4,300 per m/t largely due to concern on the edible oil shortage globally. In additions, the labour shortage issue which lead to crop and quality losses further support the current CPO price. CPO price is forecasted to an average selling price above RM3,800 for the year.

B4 Profit forecast

The Group did not issue any profit forecast for the year ending 31 December 2022.

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 2022.

B5 Taxation

The taxation for the current financial period is as follows:

	<u>Current quarter ended</u> <u>30-Jun-22</u>	<u>Preceding quarter ended</u> <u>30-Jun-21</u>	<u>Current year to date ended</u> <u>30-Jun-22</u>	<u>Preceding year to date ended</u> <u>30-Jun-21</u>
<u>Income tax</u>				
Current year	(24,706)	(424,804)	(52,167)	(417,413)
<u>Deferred tax</u>				
Current year	147,414	98,091	617,407	385,695
Total	<u>122,708</u>	<u>(326,713)</u>	<u>565,240</u>	<u>(31,718)</u>

The Group's effective tax rate for the financial period was lower than the statutory tax rate mainly due to the utilisation of business losses and unabsorbed capital allowance available for offset against taxable profit.

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-22</u> <u>RM'000</u>	<u>Preceding quarter ended</u> <u>30-Jun-21</u> <u>RM'000</u>	<u>Current year to date ended</u> <u>30-Jun-22</u> <u>RM'000</u>	<u>Preceding year to date ended</u> <u>30-Jun-21</u> <u>RM'000</u>
Charges:				
Depreciation and amortisation	(4,558)	(5,068)	(9,526)	(10,177)
Interest expense	(1,103)	(1,314)	(2,234)	(2,806)
Property, plant and equipment written off	(19)	(14)	(49)	(20)
Loss on fair value of biological assets	-	(390)	-	(1,320)
Allowance for expected credit losses	(150)	-	(300)	-
Net investment loss	(804)	-	(656)	-
Share option lapsed	(1)	-	(1)	-
Credits:				
Interest received	43	47	84	148
Net investment income	-	211	-	699
Gain on disposal of property, plant and equipment	-	-	-	13
Gain on fair value of biological assets	42	-	527	-

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

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EXPLANATORY NOTES TO THE SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2022.

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 2022 are as follows:

		<u>As at 30 Jun 2022</u>	<u>As at 31 Dec 2021</u>
Term loans payable:		RM	RM
Within 12 months	-secured	10,465,529	12,382,194
More than 12 months	-secured	<u>23,167,699</u>	<u>25,659,581</u>
Total		<u>33,633,228</u>	<u>38,041,775</u>
Bank overdrafts	-secured	15,845,407	18,896,058
Share margin financing	-secured	4,982,202	4,812,429
Total borrowings		<u>54,460,837</u>	<u>61,750,262</u>

B9 Lease liabilities

The lease liabilities of the Group as at 30 June 2022 are as follows:

		<u>As at 30 Jun 2022</u>	<u>As at 31 Dec 2021</u>
Lease liabilities:		RM	RM
Within 12 months	-secured	300,030	381,210
More than 12 months	-secured	655,083	799,337
	-unsecured	17,690,265	17,715,780
Total lease liabilities		<u>18,645,378</u>	<u>18,896,327</u>

B10 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.

EXPLANATORY NOTES TO THE SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2022.

B10 Material litigations (cont’d)

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.

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.

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.

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.

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EXPLANATORY NOTES TO THE SECOND QUARTER INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2022.

B10 Material litigations (cont’d)

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

On 5 August 2020, the hearing was 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.

A new case management has been fixed on 14 December 2021. Pre-Trial Case Management (by way of e-review) has been fixed on 11 February 2022 and the Trial has been tentatively fixed on 23 May 2022 and 24 May 2022. However, the trial court has been vacated and a new trial date were fixed on 8 August 2022 to 11 August 2022 and subsequently rescheduled further on 3 October 2022 to 7 October 2022.

Further development of the above matter will be announced in due course.

B11 Dividends

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

B12 Earnings per share

		<u>Current quarter</u> <u>ended</u> <u>30-Jun-22</u>	<u>Preceding quarter</u> <u>ended</u> <u>30-Jun-21</u>	<u>Cumulative year to</u> <u>date</u> <u>30-Jun-22</u>	<u>Cumulative preceding</u> <u>year to date</u> <u>30-Jun-21</u>
Profit (Loss) attributable to the owners of the company	RM	4,925,605	(2,578,294)	4,096,622	(7,372,042)
Weighted average number of shares		203,105,252	185,572,359	202,995,599	185,572,359
Basic earnings (loss) per share	Sen	2.43	(1.39)	2.02	(3.97)
Diluted earnings (loss) per share	Sen	2.23	(1.39)	1.88	(3.97)

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 2022.

Additional Information required by Bursa Malaysia’s Listing Requirements Paragraph 10 Part B.

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 2022, HLPB has planted 6,130 ha of the Land with all oil palm trees matured. Crop production for the year to date was 5,696 m/t of FFB (2021: 8,917 m/t).

The development expenditure and other assets and liabilities as at 30 June 2022 were as follows:

	<u>30 Jun 2022</u>	<u>31 Dec 2021</u>
	RM’000	RM’000
Property, plant and equipment	76,078	78,491
Right-of-use assets	1,997	2,018
Inventory and other assets	<u>949</u>	<u>1,111</u>
Total cost	<u>79,024</u>	<u>81,620</u>

Material Litigations:

Refer to Part B10 of the explanatory notes.