

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 NOVEMBER 2023

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--------------------|-------------------------------------|-----------------------|------------------------------------|
| | Current quarter | Preceding year | Current year | Preceding year |
| | 30/11/2023 | corresponding quarter 30/11/2022 | to date 30/11/2023 | corresponding period 30/11/2022 |
| | RM | RM | RM | RM |
| Revenue | 59,315,646 | - | 100,091,604 | - |
| Cost of sales | (42,800,069) | - | (77,372,668) | - |
| Gross profit | 16,515,577 | - | 22,718,936 | - |
| Other (expenses)/income | (33,111) | - | 52,931 | - |
| Distribution expenses | (4,637,888) | - | (7,743,018) | - |
| Administrative expenses | (8,197,258) | - | (14,487,805) | - |
| Results from operating activities | 3,647,320 | - | 541,044 | - |
| Finance costs | (1,277,894) | - | (2,669,784) | - |
| Finance income | 212,737 | - | 408,183 | - |
| Profit/(Loss) before tax | 2,582,163 | - | (1,720,557) | - |
| Income tax expense | (2,157,253) | - | (2,532,571) | - |
| Net profit/(loss) for the financial year | 424,910 | - | (4,253,128) | - |
| Other comprehensive income, net of tax: - Items that will not be reclassified subsequently to profit or loss | | | | |
| Net gain in equity investments designated at fair value through other comprehensive income | - | - | 15,000 | - |
| Total comprehensive income/(loss) for the financial year | 424,910 | - | (4,238,128) | - |
| Profit/(Loss) attributable to ; | | | | |
| Owners of the Company | 1,170,721 | - | (2,520,747) | - |
| Non-controlling interests | (745,811) | - | (1,732,381) | - |
| Profit/(Loss) for the period | 424,910 | - | (4,253,128) | - |
| Total comprehensive income/(loss) attributable to:- | | | | |
| Owners of the Company | 1,170,721 | - | (2,505,747) | - |
| Non-controlling interests | (745,811) | - | (1,732,381) | - |
| Total comprehensive income/(loss) for the period | 424,910 | - | (4,238,128) | - |
| Earnings/(Loss) per share | | | | |
| Basic (sen) | 0.21 | - | (0.45) | - |
| Diluted (sen) | 0.19 | - | (0.45) | - |
| Weighted average number of shares | 564,835,436 | - | 564,835,436 | - |

Notes:

i) The Group has changed its financial year end from 31 December to 31 May and the comparative financial information were not presented. No comparative financial information were presented in this interim financial report.

ii) The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the period ended 31 May 2023 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2023

| | <u>As at 30/11/2023</u> | <u>As at 31/05/2023</u> |
|---|---------------------------|---------------------------|
| | RM | RM (AUDITED) |
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 171,846,195 | 176,891,722 |
| Right-of-use assets | 142,408,484 | 79,945,874 |
| Investment properties | 103,674,216 | 104,328,510 |
| Other receivables | 12,356,717 | 11,968,080 |
| Goodwill on consolidation | 5,794,799 | 5,794,799 |
| Total non-current assets | <u>436,080,411</u> | <u>378,928,985</u> |
| Current assets | | |
| Biological assets | 2,466,290 | 3,692,485 |
| Inventories | 5,120,888 | 5,624,400 |
| Trade receivables | 9,128,472 | 1,698,397 |
| Other receivables | 4,208,853 | 39,328,232 |
| Other investments | 903,778 | 5,000,945 |
| Tax recoverable | 1,447,060 | 6,757,678 |
| Cash and bank balances | 7,810,127 | 4,025,764 |
| Total current assets | <u>31,085,468</u> | <u>66,127,901</u> |
| Total assets | <u>467,165,879</u> | <u>445,056,886</u> |
| Equity and liabilities | | |
| Capital and reserves | | |
| Share capital | 235,891,397 | 235,891,397 |
| Reserves | 104,912,562 | 107,418,309 |
| Equity attributable to owners of the Company | <u>340,803,959</u> | <u>343,309,706</u> |
| Non-controlling interests | (19,871,714) | (18,139,333) |
| Total equity | <u>320,932,245</u> | <u>325,170,373</u> |
| Liabilities | | |
| Non-current liabilities | | |
| Deferred tax liabilities | 14,588,359 | 15,023,289 |
| Loans and borrowings | 14,466,088 | 16,542,722 |
| Lease liabilities | 28,448,215 | 18,554,334 |
| Trade payables | 12,356,717 | 11,968,080 |
| Other payables | 1,305,987 | 1,305,987 |
| Total non-current liabilities | <u>71,165,366</u> | <u>63,394,412</u> |
| Current liabilities | | |
| Trade payables | 14,869,989 | 15,268,864 |
| Other payables | 33,876,403 | 11,453,058 |
| Loans and borrowings | 25,016,419 | 29,271,810 |
| Tax payables | 116,059 | 65,728 |
| Lease liabilities | 1,189,398 | 432,641 |
| Total current liabilities | <u>75,068,268</u> | <u>56,492,101</u> |
| Total liabilities | <u>146,233,634</u> | <u>119,886,513</u> |
| Total equity and liabilities | <u>467,165,879</u> | <u>445,056,886</u> |
| Net assets per share (sen) | 56.82 | 57.57 |

Notes:

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 May 2023 and the accompanying explanatory notes attached to the interim financial statements.

HARN LEN CORPORATION BHD

Registration No: 200001000001 (502606-H)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 NOVEMBER 2023

| | <u>Share Capital</u> RM | <u>Treasury Shares</u> RM | <u>Share Option Reserve</u> RM | <u>Fair Value Reserve of Financial Assets at FVOCI</u> RM | <u>Retained Earnings</u> RM | <u>Total</u> RM | <u>Non-controlling Interests</u> RM | <u>Total Equity</u> RM |
|---|--------------------------------|----------------------------------|---------------------------------------|--|------------------------------------|--------------------|--|-------------------------------|
| Balance at 1 June 2023 | 235,891,397 | (5,308,156) | 656,250 | 125,000 | 111,945,215 | 343,309,706 | (18,139,333) | 325,170,373 |
| Loss for the period | - | - | - | - | (2,520,747) | (2,520,747) | (1,732,381) | (4,253,128) |
| Other comprehensive income for the period | - | - | - | 15,000 | - | 15,000 | - | 15,000 |
| Reclassification | - | - | - | (140,000) | 140,000 | - | - | - |
| Balance at 30 November 2023 | 235,891,397 | (5,308,156) | 656,250 | - | 109,564,468 | 340,803,959 | (19,871,714) | 320,932,245 |

Notes:

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 May 2023 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 NOVEMBER 2023

| | <u>30/11/2023</u> | <u>30/11/2022</u> |
|--|-------------------------|-------------------|
| | RM | RM |
| <u>Cash flows from operating activities</u> | | |
| Loss before tax | (1,720,557) | - |
| Adjustments for: | | |
| Depreciation and amortisation | 9,220,763 | - |
| Finance costs | 2,669,784 | - |
| Finance income | (408,183) | - |
| Changes on fair value of biological assets | 1,226,195 | - |
| Net gain in investment in quoted shares | <u>(33,899)</u> | <u>-</u> |
| Operating profit before changes in working capital | 10,954,103 | - |
| <u>Changes in working capital</u> | | |
| Change in inventories | 503,512 | - |
| Change in trade and other receivables | (27,101,444) | - |
| Change in trade and other payables | <u>25,222,694</u> | <u>-</u> |
| Cash generated from operations | 9,578,865 | - |
| Income tax paid | (508,737) | - |
| Income tax refunded | <u>2,965,185</u> | <u>-</u> |
| Net cash generated from operating activities | 12,035,313 | - |
| <u>Cash flows (used in) from investing activities</u> | | |
| Acquisition of property, plant and equipment | (1,109,387) | - |
| Deferred consideration of investment in subsidiaries paid | (3,000,000) | - |
| Proceed from disposal of investment in unquoted share | 4,100,000 | - |
| RPGT paid | (123,000) | - |
| Interest received | <u>27</u> | <u>-</u> |
| Net cash from investing activities | (132,360) | - |
| <u>Cash flows (used in) from financing activities</u> | | |
| Interest paid | (1,513,048) | - |
| Repayment of loans and borrowings | (4,089,085) | - |
| Repayment of principal portion of lease liabilities | (325,180) | - |
| Net movements of share margin account | - | - |
| Net movements of bank overdrafts | <u>(2,210,796)</u> | <u>-</u> |
| Net cash used in financing activities | (8,138,109) | - |
| Net decrease in cash and bank balances | 3,764,844 | - |
| Cash and bank balances at beginning of period | 883,633 | - |
| Cash and bank balances at end of period | <u><u>4,648,477</u></u> | <u><u>-</u></u> |
| Cash and cash equivalents consist of the following: | | |
| Cash and bank balances | 7,810,127 | - |
| Less: Deposits with licensed banks | <u>(3,161,650)</u> | <u>-</u> |
| | <u><u>4,648,477</u></u> | <u><u>-</u></u> |

Notes:

i) The Group has changed its financial year end from 31 December to 31 May and the comparative financial information were not presented. No comparative financial information were presented in this interim financial report.

ii) The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 May 2023 and the accompanying explanatory notes attached to the interim financial statements.

Part A2-SUMMARY OF KEY FINANCIAL INFORMATION

| | <u>INDIVIDUAL QUARTER</u> | | <u>CUMULATIVE QUARTER</u> | |
|---|--|--|--|---|
| | <u>CURRENT YEAR QUARTER</u> <u>30/11/2023</u> <u>RM '000</u> <u>(UNAUDITED)</u> | <u>PRECEDING YEAR CORRESPONDING QUARTER</u> <u>30/11/2022</u> <u>RM '000</u> | <u>CURRENT YEAR TO DATE</u> <u>30/11/2023</u> <u>RM '000</u> <u>(UNAUDITED)</u> | <u>PRECEDING YEAR CORRESPONDING PERIOD</u> <u>30/11/2022</u> <u>RM '000</u> |
| 1 Revenue | 59,316 | - | 100,092 | - |
| 2 Profit/(Loss) before taxation | 2,582 | - | (1,721) | - |
| 3 Profit/(Loss) for the period | 425 | - | (4,253) | - |
| 4 Profit/(Loss) attributable to ordinary equity holders of the parent | 1,171 | - | (2,521) | - |
| 5 EPS-Basic (sen) | 0.21 | - | (0.45) | - |
| 6 EPS-Diluted (sen) | 0.19 | - | (0.45) | - |
| 7 Proposed/ Declared Dividend per share (sen) | - | - | - | - |

| | <u>AS AT END OF CURRENT QUARTER</u> <u>30/11/2023</u> <u>RM</u> <u>(UNAUDITED)</u> | <u>AS AT END OF PRECEDING FINANCIAL YEAR END</u> <u>31/5/2023</u> <u>RM</u> <u>(AUDITED)</u> |
|--|---|---|
| 8 Net assets per share attributable to ordinary shareholders of the parent | 0.57 | 0.58 |

Part A3-ADDITIONAL INFORMATION

| | <u>INDIVIDUAL QUARTER</u> | | <u>CUMULATIVE QUARTER</u> | |
|---------------------------|--|--|--|---|
| | <u>CURRENT YEAR QUARTER</u> <u>30/11/2023</u> <u>RM '000</u> | <u>PRECEDING YEAR CORRESPONDING QUARTER</u> <u>30/11/2022</u> <u>RM '000</u> | <u>CURRENT YEAR TO DATE</u> <u>30/11/2023</u> <u>RM '000</u> | <u>PRECEDING YEAR CORRESPONDING PERIOD</u> <u>30/11/2022</u> <u>RM '000</u> |
| 1 Gross interest income | 213 | - | 408 | - |
| 2 Gross interest expenses | (1,278) | - | (2,670) | - |

Notes:

i) The Group has changed its financial year end from 31 December to 31 May and the comparative financial information were not presented. No comparative financial information were presented in this interim financial report.

ii) The summary of key financial information should be read in conjunction with the audited financial statements for the financial year ended 31 May 2023 and the accompanying notes to the interim financial statements.

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

Registration No: 200001000001 (502606-H)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.

PART A: EXPLANATORY NOTES

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 period ended 31 May 2023.

On 2 September 2022, the Group has announced the change of financial year end from 31 December to 31 May. No comparative financial information were presented in condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows.

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 period ended 31 May 2023 except for the adoption of the following new MFRSs and amendments to published standards for the Group for the financial period beginning 1 June 2023:

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

- MFRS 17 Insurance Contracts and 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 – *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*
- Amendments to MFRS 112 Income Taxes – *International Tax Reform: Pillar Two Model Rules*

(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:

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

Registration No: 200001000001 (502606-H)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.

A2 Significant Accounting Policies (cont’d)

(i) Effective for financial period beginning on or after 1 January 2024

- Amendments to MFRS 16 leases – *Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 Presentation of Financial Statements – *Non-Current Liabilities with Covenants*
- Amendments to MFRS 101 Presentation of Financial Statements – *Classification of Liabilities as Current or Non-Current*
- Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosure – *Supplier Finance Arrangements*

(ii) Effective for financial period beginning on or after 1 January 2025

- Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates – *Lack of Exchangeability*

(iii) 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 and Company’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 first quarter production picking up from traditional low crops season, ramping up in the second quarter and tapering off toward the end of third quarter. 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.

As at 30 November 2023, the number of treasury shares held was 19,400,680 and outstanding unexercised number of warrants was 89,352,233.

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

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.**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, pineapple cultivation, 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 income and expenses on corporate investment, directors’ remuneration as well as corporate assets and liabilities.

Segment information**Period ended 30 November 2023**

| | <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 | 98,354,536 | 1,737,068 | - | 100,091,604 |
| Inter-segment revenue | - | 420,000 | (420,000) | - |
| Total revenue | 98,354,536 | 2,157,068 | (420,000) | 100,091,604 |
| Segment results | 8,095,198 | (4,672,588) | - | 3,422,610 |
| Unallocated loss | | | | (5,143,166) |
| Loss before tax | | | | (1,720,556) |

| | | | | |
|--------------------------------|-------------|-------------|---|-------------|
| <u>Assets</u> | | | | |
| Segment assets | 327,704,664 | 118,380,827 | - | 446,085,491 |
| Corporate assets | | | | 21,080,388 |
| Consolidated total assets | | | | 467,165,879 |
| <u>Liabilities</u> | | | | |
| Segment liabilities | 115,680,338 | 20,954,787 | - | 136,635,125 |
| Corporate liabilities | | | | 9,598,510 |
| Consolidated total liabilities | | | | 146,233,635 |

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

Registration No: 200001000001 (502606-H)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.**A9 Significant material events after financial period**

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

During the financial period, the acquisition of Almal Resources Sdn Bhd for a total purchase consideration of RM54,715,500 was completed. Accordingly, Almal Resources Sdn Bhd and Pahang Coconut Valley Corporation Sdn Bhd are consolidated as wholly-owned subsidiaries of Harn Len Corporation Bhd.

Other than the above, 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> |
| Authorised but not contracted for | 4,947 |
| Contracted but not provided for | 1,063 |
| | <u>6,010</u> |

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> | <u>Current quarter ended 30-Nov-23</u> <u>RM'000</u> | <u>Preceding quarter ended 30-Nov-22</u> <u>RM'000</u> | <u>Current year to date ended 30-Nov-23</u> <u>RM'000</u> | <u>Preceding year to 30-Nov-22</u> <u>RM'000</u> |
|-----------------------------|---------------------|-------------------------------|---|---|--|---|
| Advance Pinnacle Sdn Bhd | Affiliated company | Variable lease payment | 5 | - | 6 | - |
| Horn Lern (Merakai) Sdn Bhd | Affiliated company | Variable lease payment | (1) | - | 20 | - |
| Horn Lern (Semada) Sdn Bhd | Affiliated company | Variable lease payment | 22 | - | 37 | - |
| Horn Lern (Jerok) Sdn Bhd | Affiliated company | Variable lease payment | (42) | - | 23 | - |
| Horn Lern (Krangan) Sdn Bhd | Affiliated company | Variable lease payment | 11 | - | 26 | - |

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.

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

The Group generated total revenue of RM100,091,604. The plantation operations contributed RM98,354,536 or 98%. The property and other operations contributed RM1,737,068 or 2%.

The loss before tax was primarily due to lower average selling price and volume of CPO, PK and FFB. 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 November 2023:

| | 30-Nov-23 | 30-Nov-22 |
|---------------|-----------|-----------|
| | <u>MT</u> | <u>MT</u> |
| FFB produced | 61,989 | - |
| FFB processed | 104,524 | - |
| CPO produced | 20,985 | - |
| PK produced | 5,055 | - |
| CPO sold | 20,846 | - |
| PK sold | 5,008 | - |

The average selling prices of FFB were RM695 per m/t, CPO was RM3,638 per m/t, and PK was RM1,748 per m/t.

Property and other operations

The property and other operations comprise of property investment, investment in equity instrument 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.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.**B2 Comparison of results against preceding quarter**

| | Quarter to 30-November-2023 | Quarter to 31-August-2023 | % change |
|---|--------------------------------|------------------------------|----------|
| | RM | RM | |
| Revenue | 59,315,646 | 40,775,958 | 45% |
| Profit/(Loss) from operating activities | 2,279,551 | (4,302,719) | -153% |

| | Quarter to 30-November-2023 | Quarter to 31-August-2023 | % change |
|----------------|--------------------------------|------------------------------|----------|
| | MT | MT | |
| FFB processed | 60,350 | 44,174 | 37% |
| CPO produced | 12,087 | 8,898 | 36% |
| PK produced | 2,939 | 2,116 | 39% |
| CPO sold (m/t) | 12,011 | 8,835 | 36% |
| PK sold (m/t) | 2,912 | 2,096 | 39% |

| <i>Average selling price:</i> | RM/mt | RM/mt | % change |
|-------------------------------|-------|-------|----------|
| CPO | 3,642 | 3,634 | 0% |
| PK | 1,743 | 1,755 | -1% |

The Group reported revenues of RM59.32 million in the current quarter. Higher profit from operations was mainly due to higher sales volume of CPO and FFB.

B3 Prospects

CPO price is currently hovering between RM3,600 to RM3,900 per m/t. Moving into first half of calendar 2024 and beginning of the low crop season, FFB production is expected to decrease. Furthermore, with the implementation of B35 biodiesel mandate in Indonesia and the recently lowered palm oil import duty in India, there is potentially for stronger near-term demand of CPO. Additionally, due to the unfavourable weather conditions in Brazil, the USDA forecasted that vegetable oils supplies will remain relatively tighter at least until April 2024. Therefore, it is very likely to see strong support for CPO price with forecast for year average price above RM3,800 per m/t.

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.

B4 Profit forecast

Not applicable as no profit forecast was given.

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

Registration No: 200001000001 (502606-H)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.**B5 Taxation**

The taxation for the current financial period is as follows:

| | <u>Current quarter ended 30-Nov-23</u> | <u>Preceding quarter ended 30-Nov-22</u> | <u>Current year to date ended 30-Nov-23</u> | <u>Preceding year to date ended 30-Nov-22</u> |
|----------------------------|--|--|---|---|
| <u>Income tax</u> | | | | |
| Current year | 2,146,995 | - | 2,967,501 | - |
| <u>Deferred tax</u> | | | | |
| Current year | 10,258 | - | (434,930) | - |
| Total | <u>2,157,253</u> | <u>-</u> | <u>2,532,571</u> | <u>-</u> |

For the current quarter, the effective tax rate is higher than statutory tax rate mainly due to the non-recognition of deferred tax assets on unutilised tax losses and unabsorbed capital allowance and expenses not deductible for tax purpose. The origination of deferred tax was due to temporary differences, particularly regarding the assets' carrying value versus its tax written-down value.

B6 Notes to the Statement of Profit or Loss and Other Comprehensive Income

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

| | <u>Current quarter ended 30-Nov-23 RM'000</u> | <u>Preceding quarter ended 30-Nov-22 RM'000</u> | <u>Current year to date ended 30-Nov-23 RM'000</u> | <u>Preceding year to date ended 30-Nov-22 RM'000</u> |
|--|---|---|--|--|
| Charges: | | | | |
| Depreciation and amortisation | (4,041) | - | (9,221) | - |
| Interest expense | (1,278) | - | (2,670) | - |
| Changes on fair value of biological assets | (52) | - | (1,226) | - |
| Credits: | | | | |
| Interest income | 213 | - | 408 | - |
| Net investment (loss)/ gain | (50) | - | 34 | - |

Other than as disclosed above, there were no other material items to be included for the current financial period.

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

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.

B7 Status of corporate proposals

Proposed Acquisition

On 29 December 2023, on behalf of our Board, Malacca Securities Sdn Bhd (“Malacca Securities”) announced that the Company had entered into a conditional Share Sale Agreement (“SSA”) with Datuk Mohamed Nizam Bin Mohamed Jakel (“Datuk Nizam”) for the proposed acquisition by the Company of 100% equity interest in Tiger Agriculture Sdn Bhd (“TASB”) from Datuk Nizam for a total purchase consideration of RM42,500,000, subject to the terms of SSA.

The total purchase consideration of RM42,500,000 is to be satisfied via combination of issuance of 47,222,222 Consideration Shares at an issue price of RM0.45 per Consideration Share and issuance of 47,222,222 new Islamic redeemable convertible preference shares in HLCS (“RCPS-i A”) at an issue price of RM0.45 per RCPS-i A.

The proposed TASB acquisition is expected to be completed in the 2nd quarter of calendar year 2024. Upon completion of the proposed TASB acquisition, TASB will become a wholly-owned subsidiary of the Group.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.**B8 Group borrowings**

The borrowings by the Group as at 30 November 2023 are as follows:

| | | <u>As at 31</u> <u>November 2023</u> | <u>As at 31 May</u> <u>2023</u> |
|------------------------|----------|---|------------------------------------|
| Term loans payable: | | RM | RM |
| Within 12 months | -secured | 6,660,380 | 8,672,831 |
| More than 12 months | -secured | <u>14,466,088</u> | <u>16,542,722</u> |
| Total | | <u>21,126,468</u> | <u>25,215,553</u> |
| Bank overdrafts | -secured | 15,148,477 | 17,359,273 |
| Share margin financing | -secured | 3,207,562 | 3,239,706 |
| Total borrowings | | <u><u>39,482,507</u></u> | <u><u>45,814,532</u></u> |

B9 Lease liabilities

The lease liabilities of the Group as at 30 November 2023 are as follows:

| | | <u>As at 31</u> <u>November 2023</u> | <u>As at 31 May</u> <u>2023</u> |
|-------------------------|------------|---|------------------------------------|
| Lease liabilities: | | RM | RM |
| Within 12 months | -secured | 603,321 | 432,641 |
| | -unsecured | <u>586,077</u> | <u>-</u> |
| | | 1,189,398 | 432,641 |
| More than 12 months | -secured | 1,473,947 | 912,141 |
| | -unsecured | <u>26,974,268</u> | <u>17,642,193</u> |
| Total lease liabilities | | <u><u>29,637,613</u></u> | <u><u>18,986,975</u></u> |

B10 Material litigations

In 2016, the Board of Directors of the Company announced that its subsidiary company, Harn Len Pelita Bungalow Sdn. Bhd. (“Harn Len Pelita” or “Defendant”), had been served with a Writ and Statement of Claim by the High Court of Sabah and Sarawak, where 36 proprietors, occupiers, holders and claimants (the “Plaintiffs”) alleged that the subsidiary has been trespassing on a land of which the Plaintiffs claimed to have native title and/or Native Customary Rights (“NCR”) over the land.

The Plaintiffs’ claim was dismissed by the High Court and have appealed to the Court of Appeal on the grounds that the High Court has erred in dismissing the Plaintiffs’ claim. The appeal was partially allowed for certain Plaintiffs and the case was remitted back to the High Court in Kuching for Assessment of Damages for trespass.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.**B10 Material litigations (cont’d)**

On 23 September 2022, the trial date was vacated to 3 October 2022 by way of zoom to fix the new trial dates. The Court had fixed new trial dates from 27 March 2023 to 30 March 2023 and subsequently rescheduled further to 23 June 2023. However, the Court had been vacated and new trial date was rescheduled from 1 September 2023, 6 October 2023, 17 November 2023, 11 January 2024 and subsequently rescheduled to 15 March 2024.

During the trial and hearing, the claimants have prayed for a grant total sum of RM2,302,829 as their alleged losses whereas on behalf of Harn Len Pelita Bengunan Sdn. Bhd., Harn Len Pelita has prayed for nominal damages on the ground that the NCR owners have failed to prove their actual losses. No provision has been made in the financial statements in respect of this claim at this juncture, as the outcome of this case is not presently determinable.

B11 Dividends

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

B12 Earnings per share

| | | <u>Current quarter</u> | <u>Preceding</u> | <u>Cumulative year</u> | <u>Cumulative</u> |
|---|-----|------------------------|----------------------|------------------------|-----------------------|
| | | <u>ended</u> | <u>quarter ended</u> | <u>to date</u> | <u>preceding year</u> |
| | | <u>30-Nov-23</u> | <u>30-Nov-22</u> | <u>30-Nov-23</u> | <u>30-Nov-22</u> |
| Earnings/(Loss) attributable to the owners of the company | RM | 1,170,721 | - | (2,520,747) | - |
| Weighted average number of shares | | 564,835,436 | - | 564,835,436 | - |
| Basic earnings/(loss) per share | Sen | 0.21 | - | (0.45) | - |
| Diluted earnings/(loss) per share | Sen | 0.19 | - | (0.45) | - |

B13 Approval of interim financial report

The interim financial report as set out above was approved by the Board of Directors on 26 January 2024.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2023.**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 RM10,000,000 made up of 10,000,000 ordinary shares of RM1.00 per ordinary share. The paid up capital is RM4,756,805. 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 November 2023, HLPB has planted 6,130 ha of the Land with all oil palm trees matured. Crop production for the year to date was 12,505 m/t of FFB (2023: 18,577 m/t).

The development expenditure and other assets and liabilities as at 30 November 2023 were as follows:

| | <u>30 November 2023</u> | <u>31 May 2023</u> |
|-------------------------------|-------------------------|--------------------|
| | RM'000 | RM'000 |
| Property, plant and equipment | 69,838 | 72,029 |
| Right-of-use assets | 1,939 | 1,960 |
| Inventory and other assets | <u>912</u> | <u>1,211</u> |
| Total cost | <u>72,689</u> | <u>75,200</u> |

Material Litigations:

Refer to Part B10 of the explanatory notes.