

Kumpulan H & L High-Tech Berhad (317805-V)

Notes to quarterly report for the quarter ended 31 January 2021

Part A-Explanatory Notes Pursuant to FRS 134

A1. Accounting policies and methods of computation

The interim financial report has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The figures for the quarter ended 31 January 2021 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2020.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 October 2020.

A2. Seasonal or cyclical of interim operations

The Group's business operations were not affected by any seasonal or cyclical factors.

A3. Unusual items affecting assets, liabilities, equity, net income or cash flows

There are no unusual items of nature, size or incidence that affect the assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A4. Material changes in estimates

There were no changes in the nature and amount of changes in estimates of amounts reported in the immediate preceding quarter or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter under review.

A5. Capital management, issuances, repurchase, and repayment of debts and equity instruments

The Group's objective of managing capital are to safeguard the Group's ability to continue in operations as going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The Group's strategy is to maintain a maximum gearing ratio of 50%. The ratio is calculated as the total liabilities to total equity.

The gearing ratios as at 31 January 2021 and 31 October 2020, which are within the Group's objectives for capital management, are as follows:

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As At	31-Jan-2021 (Unaudited) RM'000	31-Oct-2020 (Audited) RM'000
Total borrowings	10,271	10,002
Total equity	98,243	96,464
Total capital	108,514	106,466
Gearing Ratio	10.5%	10.4%

There were no shares issued, shares cancellation, resale of treasury shares and repayments of debts and equity securities during the current quarter.

On 28 March 2007, approval has been obtained from the shareholders for the Company to buy-back its own shares. The authority granted by the shareholders was subsequently renewed in the re-scheduled Annual General Meeting held on 28 July 2020. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the share buy-back scheme can be applied in the best interest of the Company and its shareholders.

During the quarter under review, 72,400 treasury shares has been sold in the open market for approximately RM2.01 per share resulting a gain on disposal of RM0.08 million.

A6. Dividends paid

During the quarter under review, there were no dividend paid.

A7. Operating segment information

With the adoption of MFRS 8, Operating Segments, the Group has four reportable segments: Manufacturing and trading, property investment and investment holdings and joint property development.

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Segment information for the financial period ended 31 January 2021	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	3,487	623	467	1,199	5,776
Intersegment revenue	96	4	-	-	100
Reportable segment profit / (loss)	594	413	341	434	1,782

Reconciliation of profit or loss

RM '000

Total profit for reportable segments

1,782

Investment income

1

Gain on disposal of quoted investments

(13)

Gain on disposal of Treasury shares

80

Net fair value gain on held for quoted shares

223

Interest income

107

Unallocated amounts:-

Corporate expenses

(60)

Other expenses

(2)

Group's profit before income tax expense

2,118

A8. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statement for the interim period.

A9. Effects of changes in composition of the Group

There were no changes to the composition of the Group during the interim period, including business combinations, acquisition and long term investments, restructuring and discontinuing operations.

A10. Changes in contingent liabilities and contingent assets since the date of statement of financial position of prior audited financial statement

Save as disclosed below, the Company is not aware of any contingent liabilities or contingent assets as at 31 January 2021 except as follow:-

	31/Oct/2020 (Audited) RM '000	Changes RM '000	31/Jan/2021 (Unaudited) RM '000
Total limit	11,500	0	11,500
Total utilised	10,002	-73	9,929

Contingent liabilities for corporate guarantee given by the Company to financial institutions for credit facilities granted to subsidiary companies

A11. Capital Commitment

There was no capital commitments as at 31 January 2021.

* End of Part A *

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Part B - Explanatory Notes Pursuant to BURSA MALAYSIA SECURITIES BERHAD, Chapter 9 of the Listing Requirement, Part A of Appendix 9B.

B1. Detailed analysis of the performance the current quarter

RM '000	Individual quarter	
	Current year	Preceding year corresponding quarter
	31/Jan/2021	31/Jan/2020
Revenue		
Manufacturing & Trading	3,487	3,739
Property Investment	623	591
Property Development	467	35
Plantation	1,199	812
Profit/(Loss) before tax		
Manufacturing & Trading	594	(125)
Property Investment	413	361
Property Development	341	(54)
Plantation	434	210

For current quarter under review as compared to preceding year corresponding quarter:-

Manufacturing segment recorded a turnaround pre-tax profit of RM0.594 mil mainly due to reduced cost of sales and high profit margin products despite the turnover reduced by 6.7% mainly from the precision engineering moulding division.

Property investment segment posted slightly higher revenue and pre-tax profit due to rental revision and lower operating expenses.

Property development segment achieved improved revenue and a pre-tax profit mainly due to a new sales for one of the remaining unsold units.

Plantation segment registered better turnover as well as pre-tax profit by 47.7% and 106.7% respectively mainly due to higher weighted average FFB price by 21.9% and higher FFB output by 11.8%.

B2. Comment on any material change in the profit before taxation as compared with immediate preceding quarter.

Revenue improved by 6.3% to RM5.69 million while pre-tax profit jumped by 55.0% to RM2.12 million mainly contributed by plantation segment and plastic injection division. The revenue from property investment segment is stable.

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B3. Current financial year's prospect

Barring unforeseen circumstances, the Boards foresee a challenging year ahead for the remaining quarters for current financial year. Nevertheless the Directors endeavor to maintain current performance.

B4. Profit forecast

There were no revenue or profits estimate, forecast, projection of internal targets announced or disclosed in a public document.

B5. Taxation

	Current Quarter RM '000	Year-to-date RM '000
Current Year	402	402
Prior Year	-	-
Deferred Taxation	-	-
Tax expense *	402	402

The effective tax rate for current period under review was lower than the statutory tax rate of 24% mainly due to loss incurred by certain subsidiaries.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 31 January 2021.

B7. Group borrowings and debt securities

The group's borrowings as at 31 January 2021 as follows:-

RM '000	Secured	Unsecured	Total
Short term	653	-	653
Long term	9,618	-	9,618
Total	10,271	-	10,271

All borrowings are denominated in local currency.

There was no debt securities issued.

B8. Changes in material litigation

There was no material litigation pending as at the date of this report.

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B9. Proposed Dividends

A single tier interim dividend of 2.0 sen per ordinary share has been proposed during the quarter under review for financial year ending 31 October 2021. The book closure date and payment date were 17 February 2021 and 3 March 2021 respectively.

B10. Earnings per share

a. Basic

The calculation of the basic earnings per share is based on the Group's net profit attributable to the equity holders divided by the weighted average number of ordinary shares in issue during the year excluding the weighted average treasury shares held by the Company.

	Current Quarter	Year-to-date
Net profit / (loss) attributable to equity holders of the Company (RM '000)	1,716	1,716
Weighted average number of ordinary shares ('000)	36,649	36,649
Basic earning/(loss) per share (sen)	4.68	4.68

b. Diluted

Not applicable

B11. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the financial year ended 31 October 2020 did not contain any qualification.

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B12. The profit / (loss) after tax was derived after charging / (crediting) the following:-

	Current Quarter RM'000
(a) interest income;	-107
(b) other income including investment income;	-1
(c) interest expense;	166
(d) depreciation of property, plant and equipment	208
(e) amortisation of deferred income	0
(f) amortisation of prepaid land lease payment	8
(g) auditors' remuneration	28
(h) realised (gain)/loss on foreign exchange	50
(i) unrealised (gain)/loss on foreign exchange	-9
(j) rental expenses	41
(k) rental income	-623
(l) net fair value (gain)/loss on held for quoted shares	-223
(m) Amortisation of Biological Assets	57
(n) (Gain)/loss on disposal of quoted investment	13

B13. DISCLOSURES OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of retained earnings as at the reporting date, which has been prepared by the Directors in accordance with the directives from **Bursa Malaysia Securities Berhad** stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants, are as follows:-

As At	31/Jan/2021
	RM'000
Realised	41,079
Unrealised	28,993
	<u>70,072</u>
Less: Consolidated adjustments	(17,525)
Retained earnings	<u>52,547</u>

BY ORDER OF THE BOARD

Yap Sit Lee
Company Secretary

Kuala Lumpur