

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

Notes to quarterly report for the quarter ended 30 April 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 30 April 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

The Government implemented the Movement Control Order ("MCO") to curb the spread of the COVID-19 pandemic in March 2020. The MCO was conditionally relaxed in May 2020 but subsequently reimposed about a year later in June 2021.

Other than above, 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 30 April 2021 and 31 October 2020, which are within the Group's objectives for capital management, are as follows:

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As At	30-Apr-2021 (Unaudited) RM'000	31-Oct-2020 (Audited) RM'000
Term Loan	9,945	10,002
Lease Liabilities	9,259	9,838
	<u>19,204</u>	<u>19,840</u>
Total equity	100,896	96,464
Total capital	110,841	106,466
Gearing Ratio	19.0%	20.6%

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 Annual General Meeting held on 28 April 2021. 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.

Except for below, there were no shares issued, shares cancellation, resale of treasury shares and repayments of debts and equity securities during the current quarter:-

During the quarter under review, 848,000 treasury shares has been sold in the open market for approximately RM2.2948 per share resulting a gain on disposal of approximately RM1.20 million.

A6. Dividends paid

During the quarter under review, an interim single-tier dividend of 2.0 sen per ordinary share for financial year ending 31 October 2021 has been paid in February 2021.

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.

Segment information for the financial period ended 30 April 2021	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	7,260	1,235	467	2,433	11,395
Intersegment revenue	213	7	-	-	220
Reportable segment profit / (loss)	1,441	811	256	726	3,234

Reconciliation of profit or loss

	RM '000
Total profit for reportable segments	3,234
Investment income	24
Gain/(loss) on disposal of quoted investments	(1)
Gain/(loss) on disposal of treasury shares	1,274
Net fair value gain on held for quoted shares	429
Interest income	222
Unallocated amounts:-	
Corporate expenses	(150)
Other expenses	(7)
Group's profit before income tax expense	<u>5,025</u>

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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 30 April 2021 except as follow:-

	31-Oct-2020 (Audited) RM '000	Changes RM '000	30-Apr-2021 (Unaudited) RM '000
Total limit	11,500	-300	11,200
Total utilised	10,002	-57	9,945

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

A11. Capital Commitment

As at 30 April 2021, there were no commitments other than those stated below:

	RM '000
Approved in principle but not contracted for	
- purchase of investment property	13,880.00
Approved and contracted for	
- purchase of investment property	0.00
	<u>13,880.00</u>

* 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		Cumulative quarters	
	Current year	Preceding year corresponding quarter	Current year	Preceding year corresponding quarters
	30-Apr-2021	30-Apr-2020	30-Apr-2021	30-Apr-2020
Revenue				
Manufacturing & Trading	3,773	2,072	7,260	5,810
Property Investment	612	549	1,235	1,140
Property Development	-	82	467	117
Plantation	1,234	575	2,433	1,387
Profit/(Loss) before tax				
Manufacturing & Trading	847	(605)	1,441	(730)
Property Investment	398	339	811	700
Property Development	(85)	(8)	256	(62)
Plantation	292	(168)	726	42

For current quarter under review as compared to preceding year corresponding quarter, due to COVID-19 pandemic that disrupt the world supply chain and quantitative easing by United State resulting in super-cycle for most commodity including palm oil:-

Manufacturing segment experienced a significant increased in revenue from RM2.072 mil to RM3.773 mil and recorded a pre-tax gain of RM0.847 mil as compared to a pre-tax loss of RM0.605 mil.

Property investment segment posted higher revenue and pre-tax profit at RM0.612 mil and RM0.398 mil respectively due normalization of rental income and lower operating expenses.

Property development segment recorded RM nil revenue and pre-tax loss of RM0.085 mil as the remaining unsold units remained unsold.

Plantation segment achieved a jumped in revenue and turnaround from pre-tax loss to pre-tax profit of RM0.292m mainly due to high weighted average FFB selling price of RM792 compared to RM441 a year ago.

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

Despite the group's revenue dropped slightly by 2.8% to RM5.537 million, the pre-tax profit jump by 37.1% or RM0.787 million from a pre-tax profit of RM2.119 million to RM2.906 million mainly due to a one-time gain on disposal of treasury shares approximately RM1.20 million.

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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	329	731
Prior Year	(78)	(78)
Deferred Taxation	-	-
Tax expense *	251	653

The effective tax rate for financial period ended 30 April 2021 was lower than the statutory tax rate of 24% mainly due to tax-exempted gain on disposal of treasury shares.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 30 April 2021.

In May 2021, the Board proposed a subdivision of every one (1) existing ordinary share into three (3) ordinary shares. The proposal is subject to approval from Bursa Securities and thereafter subject to shareholders approval in upcoming General Meeting to be announced soon.

B7. Group borrowings and debt securities

The group's borrowings as at 30 April 2021 as follows:-

RM '000	Secured	Unsecured	Total
Short term	881	-	881
Long term	9,064	-	9,064
Total	9,945	-	9,945

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

There were no proposed dividend for the quarter under review.

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)	2,656	4,372
Weighted average number of ordinary shares ('000)	37,550	37,007
Basic earning/(loss) per share (sen)	7.07	11.81

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	Year-To-Date RM'000
1	interest income;	(115)	(222)
2	other income including investment income;	(23)	(24)
3	interest expense;	162	328
4	depreciation of property, plant and equipment	205	413
5	amortisation of Right-of-Use Assets	170	272
6	amortisation of Biological Assets	74	131
7	auditors' remuneration	28	56
8	realised (gain)/loss on foreign exchange	14	64
9	unrealised (gain)/loss on foreign exchange	33	24
10	rental expenses	16	57
11	rental income	(612)	(1,235)
12	net fair value (gain)/loss on held for quoted shares	(205)	(429)
13	(gain)/loss on disposal of property, plant and equipment	0	(9)
14	(gain)/loss on disposal of quoted investment	(12)	1

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	30-Apr-2021
	RM'000
Realised	42,813
Unrealised	29,165
	<u>71,978</u>
Less: Consolidated adjustments	(17,525)
Retained earnings	<u>54,453</u>

BY ORDER OF THE BOARD

Yap Sit Lee
Company Secretary

Kuala Lumpur