

Kumpulan H & L High-Tech Berhad

Registration No. 199401032123 (317805-V)

Notes to quarterly report for the quarter ended 31 July 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 July 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 except for the following:-

MFRS 16 Lease

The right-of-use asset is recognized and measured at cost, and subsequently measured at cost, less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

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.

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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 July 2021 and 31 October 2020, which are within the Group's objectives for capital management, are as follows:

As At	31-Jul-2021 (Unaudited) RM'000	31-Oct-2020 (Audited) RM'000
Total borrowings	18,859	19,840
Total equity	111,451	96,464
Total capital	130,310	116,304
Gearing Ratio	16.9%	20.6%

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 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.

During the period under review, 3,217,600 treasury shares has been sold in the open market for approximately RM3.7093 per shares

A6. Dividends paid

During the quarter under review, there were no dividends 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 July 2021	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	10,131	1,910	495	3,690	16,226
Intersegment revenue	213	7	-	-	220
Reportable segment profit / (loss)	1,775	1,273	222	1,121	4,391

Reconciliation of profit or loss

Total profit for reportable segments

Investment income	24
Gain on disposal of quoted investments	(1)
Gain on resale of treasury shares	9,058
Net fair value gain on held for quoted shares	374
Interest income	348
Unallocated amounts:-	
Corporate expenses	(302)
Other expenses	(9)
Group's profit before income tax expense	13,883

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 July 2021 except as follow:-

	31-Oct-2020 (Audited) RM '000	Changes RM '000	31-Jul-2021 (Unaudited) RM '000
Total limit	11,500	-300	11,200
Total utilised	10,002	-393	9,609

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

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A11. Capital Commitment

There was no capital commitments as at 31 July 2021 except for the following:

On 19 August 2021, the Company has announced for a proposed acquisition of a freehold property by a wholly-owned subsidiary, H & L High-Tech Properties Sdn. Bhd.

Approved and Contracted For RM13,880,000

* 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
	31-Jul-2021	31-Jul-2020	31-Jul-2021	31-Jul-2020
Revenue				
Manufacturing & Trading	2,871	3,334	10,131	9,144
Property Investment	675	537	1,910	1,677
Property Development	28	366	495	483
Plantation	1,257	629	3,690	2,016
Profit/(Loss) before tax				
Manufacturing & Trading	334	987	1,775	382
Property Investment	462	264	1,273	603
Property Development	(34)	255	222	247
Plantation	395	(158)	1,121	(326)

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

Manufacturing segment suffered a decrease of revenue and the pre-tax profit mainly due to reduced demand from overseas..

Property investment segment recorded higher revenue and pre-tax profit mainly due to discount given to certain tenants affected by Covid-19 pandemic and the Movement Control Order in preceding year.

Property development segment incurred small pre-tax loss as the revenue has been reduced substantially due to no additional new sales and no new project.

Plantation segment recorded a turnaround from pre-tax loss to pre-tax profit of RM0.395 million mainly because of higher FFB selling price.

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

The Group recorded a jump in pre-tax profit from RM2.906 million to RM8.858 million mainly due to a non-recurring income from resale of treasury shares

Revenue reduced by about RM0.830 million or 15% mainly due to reduction in demand from overseas in Manufacturing segment.

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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	333	1,064
Prior Year	(6)	(84)
Deferred Taxation	-	-
Tax expense *	327	980

The effective tax rate for financial period ended 31 July 2021 was lower than the statutory tax rate of 24% mainly due to non-taxable income recorded during the period under review.

B6. Status of corporate proposals

On 21 May 2021 the company has announced for a proposed share split involving the subdivision of every 1 existing ordinary share held on entitlement date to 3 "subdivided" shares. ("Share Split")

There were subsequent announcement on 12 July 2021, 19 July 2021, 27 July 2021, 28 July 2021 and 18 August 2021 in relation to the Share Split.

On 3 September 2021, the company has announced that on the Book Closure Date of 3 September 2021, a total of 121,836,255 Subdivided Shares will be listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on Monday, 6 September 2021.

B7. Group borrowings and debt securities

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

RM '000	Secured	Unsecured	Total
Short term	895	-	895
Long term	8,714	-	8,714
Total	9,609	-	9,609

All borrowings are denominated in local currency.

There was no debt securities issued.

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B8. Changes in material litigation

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

B9. Proposed Dividends

The Board of Directors proposed a single tier interim dividend of 1.50 sen per ordinary share in respect of financial year ending 31 October 2021. The book closure date and payment date will be on 13 October 2021 and 28 October 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)	8,530	12,902
Weighted average number of ordinary shares ('000)	38,101	37,375
Basic earning/(loss) per share (sen)	22.39	34.52

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;	(126)	(348)
2	other income including investment income;	0	(24)
3	interest expense;	170	498
4	depreciation of property, plant and equipment	202	615
5	amortisation of Right-of-Use assets		
6	amortisation of Biological Assets	83	214
7	auditors' remuneration	28	84
8	realised (gain)/loss on foreign exchange	(9)	55
9	unrealised (gain)/loss on foreign exchange	7	31
10	rental expenses	20	77
11	rental income	(675)	(1,910)
12	net fair value (gain)/loss on held for quoted shares	53	(375)
13	gain on resale treasury shares	(7,704)	(9,059)
14	(n) (Gain)/loss on disposal of quoted investment	0	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	31-Jul-2021
	RM'000
Realised	51,404
Unrealised	29,105
	<u>80,509</u>
Less: Consolidated adjustments	<u>(17,525)</u>
Retained earnings	<u>62,984</u>

BY ORDER OF THE BOARD

Tan Hsiao Yuen
Company Secretary

Kuala Lumpur