

Kumpulan H & L High-Tech Berhad

199401032123 (317805-V)

Notes to quarterly report for the quarter ended 31 October 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 October 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 October 2021 and 31 October 2020, which are within the Group's objectives for capital management, are as follows:

As At	31-Oct-2021 (Unaudited) RM'000	31-Oct-2020 (Audited) RM'000
Total borrowings	10,600	19,840
Total equity	96,461	96,464
Total capital	107,061	116,304
Gearing Ratio	11.0%	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 quarter under review, 170,300 pre-share split treasury shares and 1,790,000 post-share split treasury shares has been sold in the open market for approximately RM5.1608 and RM2.1271 per shares respectively.

A6. Dividends paid

During the quarter under review, an interim dividend of 1.5 sen per Ordinary Shares for Financial Year Ended 31 October 2021 has been paid in October 2021.

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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 31 October 2020	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	13,587	2,403	495	5,663	22,148
Intersegment revenue	537	22	-	-	559
Reportable segment profit / (loss)	2,435	1,563	159	2,172	6,329

Reconciliation of profit or loss

RM '000

Total profit for reportable segments

6,329

Investment income

38

Loss on disposal of quoted investments

(1)

Net fair value gain/(loss) on held for quoted shares

517

Gain on disposal of treasury shares

13,070

Fair value adjustment on investment properties

-

Interest income

518

Unallocated amounts:-

Corporate expenses

(481)

Other expenses

(12)

Group's profit before income tax expense

19,978

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.

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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 October 2021 except as follow:-

	31-Oct-2020 (Audited) RM '000	Changes RM '000	31-Oct-2021 (Unaudited) RM '000
Total limit	11,500	-300	11,200
Total utilised	10,002	-1,126	8,876

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 October 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-Oct-2021	31-Oct-2020	31-Oct-2021	31-Oct-2020
Revenue				
Manufacturing & Trading	3,456	3,589	13,587	12,733
Property Investment	493	619	2,403	2,296
Property Development	-	48	495	531
Plantation	1,973	1,163	5,663	3,179
Profit/(Loss) before tax				
Manufacturing & Trading	660	387	2,435	1,374
Property Investment	290	386	1,563	650
Property Development	(63)	(35)	159	220
Plantation	1,051	573	2,172	415

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

Manufacturing segment registered higher pre-tax profit despite slightly lower revenue mainly due to lower operating expenses and higher gross profit margin.

Property investment segment posted slightly lower revenue and lower pre-tax profit mainly due a year end adjustment in current year.

Property development segment recorded a pre-tax loss as there was no new sale proceeds.

Plantation segment recorded a significant increase in revenue and a record pre-tax profit mainly contributed by higher FFB yields as well as higher FFB selling price.

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

The Group's revenue and pre-tax profit were increased mainly due to recovery of order for one of the Manufacturing entity and strong FFB price with higher FFB yield.

For plantation segment, the turnover increased by 56% mainly due to higher FFB yield by 38% while the FFB selling price also increased by 14% from weighted average of RM819 pr MT to RM931 per MT.

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B3. Current financial year's prospect

Barring unforeseen circumstances, the Boards foresee a challenging year ahead for financial year ending 31 October 2021. 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	247	1,311
Prior Year	-	(84)
Deferred Taxation	-	-
Tax expense *	247	1,227

* The effective tax rate for financial period ended 31 October 2021 was lower than the statutory tax rate of 24% mainly due to overprovision in prior year and tax exempted gain on disposal of treasury shares for the period under review.

B6. Status of corporate proposals

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

B7. Group borrowings and debt securities

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

RM '000	Secured	Unsecured	Total
Short term	704	-	704
Long term	8,565	-	8,565
Total	9,269	-	9,269

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 dividend proposed.

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)	5,847	18,750
Weighted average number of ordinary shares ('000)	120,927	114,344
Basic earning/(loss) per share (sen)	4.84	16.40

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;	(171)	(519)
2 other income including investment income;	(14)	(38)
3 interest expense;	164	662
4 depreciation of property, plant and equipment (ppe)	190	805
5 amortisation of right-of-use assets	114	499
6 amortisation of biological assets	83	297
7 auditors' remuneration	33	117
8 realised (gain)/loss on foreign exchange	13	68
9 unrealised (gain)/loss on foreign exchange	(50)	(19)
10 rental expenses	30	107
11 rental income	(493)	(2,403)
12 net fair value (gain)/loss on held for quoted shares	(143)	(518)
13 (gain)/loss on disposal of ppe	(16)	(25)
14 (gain)/loss on disposal of treasury shares	(4,011)	(13,070)
15 (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-Oct-2021
	RM'000
Realised	55,234
Unrealised	29,298
	<u>84,532</u>
Less: Consolidated adjustments	(17,525)
Retained earnings	<u>67,007</u>

BY ORDER OF THE BOARD

Tan Hsiao Yuen
 Company Secretary

Kuala Lumpur