

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

Notes to quarterly report for the quarter ended 30 April 2022

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 2022 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 2021.

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 2021.

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 debt-to-equity ratio of 50%. The ratio is calculated as the total of term loans and lease liabilities to total equity.

The debt-to-equity ratios as at 30 April 2022 and 31 October 2021, which are within the Group's objectives for capital management, are as follows:

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As At	30-Apr-2022	31-Oct-2021
	(Unaudited)	(Audited)
	RM'000	RM'000
Term Loans	16,210	8,875
Lease Liabilities	9,511	9,620
	25,721	18,495
Owners' equity	117,914	116,007
Debt-to-equity ratio	21.8%	15.9%

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 8 April 2022. 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, a total of 90,000 shares bought back as treasury shares in the open market for approximately RM0.9065 per share, total value of share buyback approximately RM0.082 million only.

A6. Dividends paid

During the quarter under review, an interim single-tier dividend of 1.0 sen per ordinary share for financial year ending 31 October 2022 has been paid in March 2022.

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 2022	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	7,160	1,483	401	4,562	13,606
Intersegment revenue	172	11	-	-	183
Reportable segment profit / (loss)	1,407	869	237	1,274	3,787

Reconciliation of profit or loss

	RM '000
Total profit for reportable segments	3,787
Investment income	29
Gain/(loss) on disposal of quoted investments	(49)
Net fair value gain on held for quoted shares	91
Interest income	223
Unallocated amounts:-	
Corporate expenses	(224)
Other expenses	(8)
Group's profit before income tax expense	3,849

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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 2022 except as follow:-

	31-Oct-2021 (Audited) RM '000	Changes RM '000	30-Apr-2022 (Unaudited) RM '000
Total limit	11,200	8,000	19,200
Total utilised	8,875	7,335	16,210

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 2022, there were no capital commitments.

* 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-2022	30-Apr-2021	30-Apr-2022	30-Apr-2021
Revenue				
Manufacturing & Trading	3,099	3,773	7,160	7,260
Property Investment	811	612	1,483	1,235
Property Development	-	-	401	467
Plantation	2,239	1,234	4,562	2,433
Profit/(Loss) before tax				
Manufacturing & Trading	346	847	1,407	1,441
Property Investment	523	398	869	811
Property Development	(38)	(85)	237	256
Plantation	606	292	1,274	726

For current quarter under review as compared to preceding year corresponding quarter, for most commodity including palm oil:-

Manufacturing segment suffered a lower turnover and pre-tax profit by 18% and 59% respectively mainly due to lower demand

Property investment segment registered an increase in turnover and pre-tax profit by 32% and 31% respectively due to an additional property acquired in December 2021 which contributed this variance.

Property development segment did not register new collection and new sales.

Plantation segment recorded highest revenue and pre-tax profit compared to last year mainly due to an increase in weighted average FFB price by 69% or RM1,336 per mt compared to RM792 per mt in preceding year while the output increased by 16.5% to 3,822 mt from a year ago.

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

The group's revenue slowed to RM6.163 million or 15.8% lower from RM7.317 million, the pre-tax profit dropped by 27.8% or RM0.621 million from a pre-tax profit of RM2.235 million to RM1.614 million partly due to higher finance cost from a loan drawdown in late December 2021.

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B3. Current financial year's prospect

Barring unforeseen circumstances, the Board foresees 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	273	634
Prior Year	9	9
Deferred Taxation	-	-
Tax expense *	282	643

The effective tax rate for financial period ended 30 April 2022 was lower than the statutory tax rate of 24% mainly due to availability of unabsorbed capital allowance.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 30 April 2022.

B7. Group borrowings and debt securities

The group's borrowings as at 30 April 2022 as follows:-

RM '000	Secured	Unsecured	Total
Short term	1,282	-	1,282
Long term	15,218	-	15,218
Total	16,500	-	16,500

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)	1,334	3,207
Weighted average number of ordinary shares ('000)	121,630	121,657
Basic earning/(loss) per share (sen)	1.10	2.64

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 2021 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;	(39)	(149)
2	other income including investment income;	(23)	(29)
3	interest expense;	245	435
4	depreciation of property, plant and equipment	206	407
5	amortisation of Right-of-Use Assets	113	226
6	amortisation of Biological Assets	83	166
7	auditors' remuneration	29	58
8	realised (gain)/loss on foreign exchange	7	25
9	unrealised (gain)/loss on foreign exchange	(32)	(31)
10	rental expenses	23	106
11	rental income	(811)	(1,483)
12	net fair value (gain)/loss on held for quoted shares	(228)	(91)
13	(gain)/loss on disposal of property, plant and equipment	36	26
14	(gain)/loss on disposal of quoted investment	49	49

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-2022
	RM'000
Realised	58,402
Unrealised	28,883
	<u>87,285</u>
Less: Consolidated adjustments	<u>(18,637)</u>
Retained earnings	<u>68,648</u>