

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

Notes to quarterly report for the quarter ended 30 April 2023

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 2023 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 2022.

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 2022.

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 2023 and 31 October 2022, which are within the Group's objectives for capital management, are as follows:

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As At	30-Apr-2023	31-Oct-2022
	(Unaudited)	(Audited)
	RM'000	RM'000
Term Loans	14,341	15,117
Lease Liabilities	9,267	9,388
	23,608	24,505
Owners' equity	129,856	129,321
Debt-to-equity ratio	18.2%	18.9%

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 18 April 2023. 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 109,800 shares bought back as treasury shares in the open market for approximately RM0.9462 per share, total value of share buyback approximately RM0.104 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 2023 has been paid in March 2023.

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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 30 April 2023	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	7,622	1,617	1,226	2,960	13,425
Intersegment revenue	171	11	-	-	182
Reportable segment profit / (loss)	942	94	921	624	2,581

Reconciliation of profit or loss

	RM '000
Total profit for reportable segments	2,581
Investment income	44
Gain/(loss) on disposal of quoted investments	-
Net fair value gain on held for quoted shares	33
Net fair value gain on investment	234
Interest income	17
Unallocated amounts:-	
Corporate expenses	(186)
Other expenses	(8)
Group's profit before income tax expense	2,715

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 2023 except as follow:-

	31-Oct-2022 (Audited) RM '000	Changes RM '000	30-Apr-2023 (Unaudited) RM '000
Total limit	19,200	0	19,200
Total utilised	15,117	-776	14,341

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

As at 30 April 2023, 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 30-Apr-2023	Preceding year corresponding quarter 30-Apr-2022	Current year 30-Apr-2023	Preceding year corresponding quarters 30-Apr-2022
Revenue				
Manufacturing & Trading	3,947	3,099	7,622	7,160
Property Investment	809	811	1,617	1,483
Property Development	263	-	1,226	401
Plantation	1,149	2,239	2,960	4,562
Profit/(Loss) before tax				
Manufacturing & Trading	950	346	942	1,407
Property Investment	(246)	523	94	869
Property Development	175	(38)	921	237
Plantation	48	606	624	1,274

For current quarter under review as compared to preceding year corresponding quarter,

Manufacturing segment's revenue improved by 27.4% or RM0.85 million which translate to higher pre-tax profit of 175% or RM0.60 million

Property investment segment recorded same level of revenue but suffered a pre-tax loss mainly due to one-off high maintenance cost incurred during the quarter.

Property development segment registered a small revenue as compared to zero revenue and therefore a small pre-tax profit from a sale of one of the last remaining units.

Plantation segment's revenue slashed by almost half mainly due to reduction of weighted average fresh fruit bunch ("FFB") price dropped 44% from RM1,336 to RM748 as well as slight reduction of FFB output.

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

The group's pre-tax profit dropped by 42.4% or RM0.73 million mainly due to a decrease in revenue by RM1.09 million from both plantation and property development segments. For plantation segment, despite the slight increase in WAFFB price, FFB output in current quarter dropped significantly by 37.9% thus resulting huge dropped in revenue.

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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	329	758
Prior Year	(25)	(25)
Deferred Taxation	-	-
Tax expense *	304	733

The effective tax rate for financial period ended 30 April 2023 was slightly higher than the statutory tax rate of 24% mainly due to over provision of taxation.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 30 April 2023.

B7. Group borrowings and debt securities

The group's borrowings as at 30 April 2023 as follows:-

RM '000	Secured	Unsecured	Total
Short term	1,437	-	1,437
Long term	12,904	-	12,904
Total	14,341	-	14,341

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)	689	1,983
Weighted average number of ordinary shares ('000)	119,470	119,538
Basic earning/(loss) per share (sen)	0.58	1.66

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 2022 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	(7)	(17)
2	Gross dividend income from quoted shares in Mala	(32)	(44)
3	Interest expenses	252	509
4	Depreciation of property, plant and equipment	249	483
5	Amortisation of Right-Of-Use Assets	160	320
6	Amortisation of Biological Assets	83	166
7	Auditors' remuneration	30	60
8	Realised (Gain)/Loss on Foreign Exchange	82	94
9	Unrealised (Gain)/Loss on Foreign Exchange	112	(109)
10	Rental expenses	19	51
11	Rental income	(809)	(1,617)
12	Net fair value (gain)/loss on held for quoted shares	(15)	(34)
13	(Gain)/loss on disposal of property, plant and equip	1	(10)

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-2023
	RM'000
Realised	62,716
Unrealised	28,904
	<u>91,620</u>
Less: Consolidated adjustments	<u>(18,614)</u>
Retained earnings	<u>73,006</u>