

Kumpulan H & L High-Tech Berhad

Registration No. 199401032123 (317805-V)

Notes to quarterly report for the quarter ended 31 July 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 31 July 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 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.

Kumpulan H & L High-Tech Berhad

Registration No. 199401032123 (317805-V)

Notes to quarterly report for the quarter ended 31 July 2023

The Group's strategy is to maintain a maximum gearing ratio of 50%. The ratio is calculated as the total borrowings to total equity.

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

As At	31-Jul-2023 (Unaudited) RM'000	31-Oct-2022 (Audited) RM'000
Total borrowings	23,166	24,505
Total equity	131,251	129,321
Total capital	154,417	153,826
Gearing Ratio	17.7%	18.9%

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 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, share cancellation, resale of treasury shares and repayment of debts and equity securities during the quarter under review.

During the quarter under review, a total of 609,900 shares bought back as treasury shares ("share buyback") in the open market for approximately RM0.9068 per share, total value of share buyback approximately RM0.553 million only.

A6. Dividends paid

During the quarter under review, there were no dividends paid.

Notes to quarterly report for the quarter ended 31 July 2023

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 July 2023	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	12,459	2,430	1,226	4,293	20,408
Intersegment revenue	232	16	-	-	248
Reportable segment profit / (loss)	2,628	587	907	830	4,952

Reconciliation of profit or loss

	<i>RM '000</i>
Total profit for reportable segments	4,952
Investment income	47
Gain on disposal of quoted investments	100
Gain on resale of treasury shares	-
Net fair value gain on held for quoted shares	21
Interest income	368
Unallocated amounts:-	
Corporate expenses	(331)
Other expenses	(11)
Group's profit before income tax expense	5,146

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.

Kumpulan H & L High-Tech Berhad

Registration No. 199401032123 (317805-V)

Notes to quarterly report for the quarter ended 31 July 2023

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 2023 except as follow:-

	31-Oct-2022 (Audited) RM '000	Changes RM '000	31-Jul-2023 (Unaudited) RM '000
Total limit	19,200	0	19,200
Total utilised	15,117	-1,155	13,962

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 July 2023.

* End of Part A *

Notes to quarterly report for the quarter ended 31 July 2023

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-2023	31-Jul-2022	31-Jul-2023	31-Jul-2022
Revenue				
Manufacturing & Trading	4,838	3,515	12,459	10,675
Property Investment	813	807	2,430	2,290
Property Development	-	-	1,226	401
Plantation	1,333	2,164	4,293	6,726
Profit/(Loss) before tax				
Manufacturing & Trading	1,686	432	2,628	1,839
Property Investment	493	498	587	1,367
Property Development	(14)	(32)	907	205
Plantation	206	1,459	830	2,733

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

Manufacturing segments revenue improved by 37.6% or RM1.32 mil while the pre-tax profit jump by nearly three-fold to RM1.68 mil mainly due to improve in gross profit margin and reduction in operating expenses.

Property investment segment revenue and pre-tax profit approximate last year as no changes in tenancy.

Property development segment do not have any revenue during the quarter and plantation segment suffered a declined in both revenue and pre-tax profit by 38.4% and 85.9% respectively mainly due a 38.5% dropped in the weighted average fresh fruit bunch ("FFB") price.

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

Revenue improved by 13.3% or RM0.81 million to RM6.92 million while pre-tax profit jumped from RM0.99 million to RM2.43 million mainly due to improve in order received in Manufacturing and Trading segment.

Notes to quarterly report for the quarter ended 31 July 2023

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	482	1,240
Prior Year	-	(25)
Deferred Taxation	-	-
Tax expense *	482	1,215

The effective tax rate for financial period ended 31 July 2023 was approximate the statutory tax rate of 24% during the period under review.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 31 July 2023.

B7. Group borrowings and debt securities

The group's borrowings as at 31 July 2023 as follows:-

RM '000	Secured	Unsecured	Total
Short term	1,455	-	1,455
Long term	12,507	-	12,507
Total	13,962	-	13,962

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.

Notes to quarterly report for the quarter ended 31 July 2023

B9. Proposed Dividends

The Board of Directors proposed a single tier interim dividend of 2.00 sen per ordinary share in respect of the financial year ending 31 October 2023. The book closure date and payment date will be 11 October 2023 and 23 October 2023 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)	1,948	3,931
Weighted average number of ordinary shares ('000)	118,990	119,354
Basic earning/(loss) per share (sen)	1.64	3.29

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.

Notes to quarterly report for the quarter ended 31 July 2023

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;	(11)	(28)
2	other income including investment income;	(3)	(47)
3	interest expense;	272	781
4	depreciation of property, plant and equipment	233	716
5	amortisation of Right-of-Use assets	159	479
6	amortisation of Biological Assets	83	249
7	auditors' remuneration	30	90
8	realised (gain)/loss on foreign exchange	(34)	60
9	unrealised (gain)/loss on foreign exchange	38	(71)
10	rental expenses	35	86
11	rental income	(813)	(2,430)
12	net fair value (gain)/loss on held for quoted shares	13	(21)
13	(Gain)/loss on disposal of property, plant and equipment	10	(20)
14	(Gain)/loss on disposal of quoted investment	(100)	(100)

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-2023
	RM'000
Realised	64,715
Unrealised	28,853
	<u>93,568</u>
Less: Consolidated adjustments	(18,614)
Retained earnings	<u>74,954</u>